THE
EMPIRE

CLUB
OF CANADA

Founded 1903

Addresses
2002–2003

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THE EMPIRE CLUB OF CANADA

2002–2003

99th Yearbook

Her Majesty Queen Elizabeth II
Queen of Canada
wearing Her Canadian insignia
as Sovereign of the Order of Canada
and the Order of Military Merit

THE EMPIRE CLUB OF CANADA

Founded 1903

Addresses 2002–2003

God Save The Queen

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The Empire Club of Canada

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Ann Curran
President, 2002–2003

The Empire Club of Canada
PRESIDENT'S FOREWORD

Welcome to the *Centennial Year* of the Empire Club of Canada. The following pages reflect the diverse and rich text of the outstanding speakers who addressed the Club during its pivotal year.

One hundred years ago, the Empire Club was started by a patriotic and learned group of gentlemen to foster the relationship between Canada and the British Empire. Today, the Club is North America's oldest and most prestigious speakers' forum of record, providing a platform for top Canadian and international speakers to discuss national and world affairs.

It would be a privilege to serve as President of this Club in any year but to have presided over its centennial year was an exceptional honour. The speakers were fascinating to meet and hear and additional Club activities further enriched our experiences.

We heard from more than 44 guest speakers who covered a wide spectrum of backgrounds including CEOs of global corporations, federal ministers and provincial premiers, prolific authors, environmentalists, physicians and health care specialists, financial and investment wizards and even an Arctic explorer.

In addition, the year was celebrated with two exceptional luncheons: the Centennial Gala Luncheon with His Royal Highness The Prince Andrew, Duke of York and the 100th Anniversary Luncheon with The Honourable James A. Baker, III.

A corporate video was produced to capture the history, spirit and dynamics of the Club through interviews with Past Presidents, Directors and Members. This video was broadcast during our Centennial Gala Luncheon, reaching our immediate audience and all our television viewers.

To usher the Club into its next century, we updated our office and redesigned our brochures and Web site. We also worked with The Empire Club Foundation to provide online access to 100 years of fully indexed and digitized speeches. Now you have the choice of reading these speeches in the traditional way through beautiful and illustrated yearbooks, or you can download any of the past 3,000 speeches from the Internet.

In closing, I would like to thank the Directors, volunteers, staff, sponsors and members who helped make this centennial year such a success. In particular, I appreciate the dedication of Bill Duncan, Sandy Cameron and Ed and Jocelyn Badovinac who helped make each luncheon run smoothly and enjoyably. Last but not least, I would like to thank my husband Rick for his support throughout this exciting year.

Ann Curran, President 2002–2003

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May 8, 2002

Vernon Ellis

International Chairman, Accenture

STRATEGY IN AN UNCERTAIN WORLD

Chairman: **Ann Curran**
President, The Empire Club of Canada

Head Table Guests

Rev. Dr. John Niles, Victoria Park United Church and Director, The Empire Club of Canada; Heather Ferguson, Director, Development and Alumni Relations, Faculty of Nursing, University of Toronto and Director, The Empire Club of Canada; Fiona Blondin, Director of Public Relations, O.I. Employee Leasing and Director, The Empire Club of Canada; John Armstrong, Partner, Financial Services, Accenture; Jack Mintz, President and CEO, CD Howe Institute; Dennis Melnbardis, Partner, Communications and High-Tech, Accenture; Eugene Roman, Chief Information Officer, Bell Canada; Marty Lippert, Vice-Chairman and Chief Information Officer, RBC Financial Group; Gaylen A. Duncan, President and CEO, ITAC; and The Hon. Donald MacDonald, PC, CC, Senior Advisor, UBS Bunting Warburg Inc. and Former High Commissioner to Britain.

Introduction by Ann Curran

Accenture is the world's leading management and technology services organization. Through its network of businesses approach, Accenture delivers innovations that help clients across all industries quickly realize their visions.

Accenture traces its roots back to 1953 with the installation of the first computer for business application at General Electric. In 2001 it undertook a global re-branding initiative and changed its name to Accenture.

Vernon Ellis is Accenture's International Chairman, with responsibility for the leadership of the firm's external relations. Mr. Ellis takes a leading role in representing the firm in public forums, developing and communicating distinctive viewpoints on global business issues as well as building relationships with governments and key clients throughout the world.

He joined the firm in 1969 after graduating from Magdalen College, Oxford, with a degree in Philosophy, Politics and Economics. He became a Partner in 1979 and Managing Partner for the United Kingdom in 1986.

In 1989 he became Managing Partner for Europe, Middle East, Africa and India. He played an instrumental part in setting the firm's strategy as part of the worldwide management team, in particular focusing on enabling Accenture to transform itself to work effectively across borders. He became the firm's first International Chairman in 1999.

These are troubling times for global business. The terrorist attacks of September 11 have conspired with global economic slowdown and the rise of the anti-globalization movement to provoke new levels of uncertainty and shatter our sense of confidence in the future.

In his address, Vernon Ellis will set out how global business can succeed in these highly uncertain times. He will describe some of the different ways in which the global economy and society could evolve over the next 10 years, and highlight the impact of these different scenarios on business. In his remarks, Mr. Ellis will draw on his own experiences as International Chairman at Accenture and as private-sector Chairman of the Digital Opportunities Task Force—a multi-sectoral initiative launched by the G-8 meeting in July 2000 in order to find ways to marshal the power of information and communication technologies to create sustainable development in the world's poorer countries. Mr. Ellis will underline why such co-operation of this kind is crucial to the future not only of developing countries but of the industrialized world as well.

Vernon Ellis

It is both a great honour and pleasure to address the Empire Club today. For almost 100 years, many distinguished speakers from all walks of life have addressed the Empire Club on the key concerns and issues of their times. Their speeches constitute a fascinating chronicle of the past century—a unique insight into the forces that have shaped our world, and its major periods of dislocation and change.

Certainties becoming Uncertainties

Today we face another era of great uncertainty. In this environment all the basic tasks of running a business—strategy formulation, investment decisions and operational management—have become complex challenges.

Not that running a business was ever simple. But at least until recently one could safely assume that the broad economic environment was relatively predictable.

During the '90s we began to believe in a model of an increasingly globalized world and a world in which we had cracked the major economic problems and eliminated the economic cycle.

During that period, I sat in many discussions at the annual Davos meeting of the World Economic Forum, where the shared starting assumption was that globalization was inexorably a result of three powerful factors:

- A standard economic orthodoxy based on sound money, balanced budgets, open borders, free competition and shareholder value.
- Information and communications technology. This is creating extraordinary reach for global companies. The pace of change continues to be driven by Moore's Law, which dictates that everything gets cheaper/faster at a rate of 100 per cent every 18 months.

- The search for global scale and markets by multinational companies, itself facilitated by ICT which enables global sourcing, global supply chains, global customer relationships, etc.

One example of the result of these factors driving globalization is that over the decade of the 1990s, global foreign direct investment increased 500 per cent.

Globalization formed the backdrop for the new certainty—a new economic world order, which was extended fancifully into the term "new economy." We also began to believe that the only role of government was to keep out of the way. Even the East Asian crisis of 1997 did not have the long-lasting impact that people dreaded at the time.

Now it has to be said that these drivers of globalization were indeed strong and remain strong today. There is also no doubt that globalization has, on the whole, improved the lot of most people in the world. Studies by, for example, the United Nations Development Programme show there has been a real improvement in the living standards, health, education and prosperity of the mass of people in the world.

However, over the last year, three developments have combined together to result in a much more uncertain and challenging global environment. These developments are:

- Impact of the anti-globalization movement;
- The global economic slowdown; and
- September 11 and the subsequent war against terrorism.

Impact of the Anti-Globalization Movement

Yes, this movement is sometimes violent and antisocial. Certainly it is messy—a pot pourri of protest movements, some very well meaning, others more anarchic.

And yet they have tapped into deep-rooted public concerns about widening divides in the world. It has become increasingly clear in particular that Africa is actually slipping backwards; this is not just a question of the divides widening because the rich have got richer, but in many poor countries the poor have got poorer, even though it is dubious as to whether this is caused by globalization, as opposed to governments in many countries conducting their affairs in such a way as to prevent globalization from bringing benefits.

Many people worry about the fragility of the world, given these huge and growing divides.

Another worry is the perceived power of multi-nationals, which are seen as remote and unaccountable, and the role of institutions such as the World Trade Organization. This is attacked by labour in the developed world because of the worry about losing jobs (which of course completely misses the point of creating new jobs because of the benefit of free trade). It is also attacked by developing countries with sometimes more justification for what they see as inequities in developed countries preaching free trade but still maintaining barriers in areas such as agriculture and textiles.

The Global Economic Slowdown

This is of course partly just the normal economic cycle. No, it hasn't gone away and it has been good to be reminded of it.

But this was made worse by the collapse of the dot-com bubble. This too was good as it has removed a lot of froth that was created by momentum pricing and has spelt the end to the new economy.

It may have punctured too the infinite growth assumptions of the technology sectors. Less helpfully this has introduced huge uncertainties about the benefits of technology, which has delayed reinvestment. Longer term, I am confident that Moore's Law will continue to drive technology change which will in turn drive a revival in this sector.

Meanwhile, it is a question of psychology; if people feel uncertain, they will be slow to invest in capital and jobs. Uncertainty leads to more uncertainty and hence this oft-used, if rather irritating, phrase "lack of visibility."

September 11 and the Subsequent War against Terrorism

This of course gave a strong additional twist to economic uncertainty. This has led to two interesting developments:

- A resurgence of government. This is clearly the case regarding security, but also in the critical role of fiscal stimulus applied, usually successfully, in many Western and Asian economies. It has become apparent again that there is a role for government more than to "keep out of the way." It is interesting to note the approval in opinion polls in the U.K. of the U.K. budget that increased taxation to pay for improvements in the National Health Service (even though the government now actually has to prove that they can deliver which may be more challenging).
- A new awareness of geography. The tragic events of September 11 have reminded the world that we are not completely homogeneous. There is still a huge diversity of culture and opinion.

I think we are a bit more aware than we were of the massive global issues that overhang us all. Out of a world population of around six billion people, four billion are poor and three billion of these are very poor. Another relevant macro-statistic is that two-thirds of the world's population lives in Asia and most are poor. Eight hundred million live in Africa and most are very poor. There is a greater awareness too that these divides will have consequences. Just look at the issues around immigration from North Africa into Southern France and the growth and support for Le Pen. It is the interaction of these developments that have left business leaders—indeed, all leaders in society—struggling to make sense of a world that now seems full of opposing and contradictory forces.

Some forces are pushing us towards greater integration, for example the successful launch of the new trade round at Doha last year. Another powerful impetus will be China's accession to the World Trade Organization. I have been to China three times in the last six months and it is clear that there will be huge social issues caused by accession but it is also clear that the government is absolutely determined to solve them and gain advantage from WTO accession.

On the other hand, there are renewed protectionist sentiments in Europe, the U.S. and some of the developing world.

Scenarios for 2012

Last year we drew together a group of Accenture partners and external experts from the fields of politics and economics to identify what all of this might mean for our world over the next decade, and developed a set of scenarios showing different ways in which the world might change. We recently published the results in our study "Business in a Fragile World." The scenarios indicated that globalization could well continue, but in different forms from what we know today; alternatively, we could even see a retreat from globalization into a much more isolated world.

We drew out the forces at work into four extreme directions in order to illustrate four very different scenarios for the world in 2012.

In one scenario—we called it Common Ground—economic integration continues but with much greater collaboration within countries and across society than exists today. The outcome is a much more stable and integrated world, albeit one with higher short-run costs for business.

By contrast, a second scenario—Survival of the Fittest—is one where the U.S. is the major dominant power in a world of free markets, intense competition and little social safety net. Economic growth is high in the short term, but there is quite a lot of tension and friction beneath the surface between those who have done well under this model and those who have fallen by the wayside.

Another of the scenarios—Tempestuous Times—shows what might happen if economic integration continues but we fail to get the necessary degree of cooperation between governments and across society to control its adverse effects. The result is a world full of instability, tension and conflict both within and between countries.

Our fourth, and perhaps least attractive, scenario from a business perspective was called Worlds Apart. This scenario highlights the possibility of an actual reversal of economic integration where barriers to trade, capital and people go up and countries retreat into a much more isolated, independent existence.

We developed these scenarios not because we believe we can foretell the future, but rather to help businesses test their current strategies and capabilities against a range of very different, but plausible, future worlds—in other words to help develop strategies in an uncertain world. Business simply cannot afford to "wait and see," deferring decisions until the future outlook becomes clearer.

However, great uncertainty often produces precisely this effect. It increases the temptation for all of us to put off major decisions and instead focus on the markets and capabilities with which we feel comfortable. In such circumstances, a focus on the short term—survival—may seem perfectly natural. Yet these are the instincts that we must all seek to fight against. History suggests that uncertainty and dislocation can actually provide a real impetus to greater innovation for those companies willing to act decisively. Rather than "batten down the hatches," we need to "seize tomorrow's opportunities." Indeed, all the evidence we have seen indicates that the companies that succeed are those that are willing to seize growth opportunities in difficult times.

Strategies and Leadership in an Uncertain World

So, what kind of strategies, capabilities and, above all, leadership do we need in such an uncertain world?

As we thought about it some key thoughts that kept coming up were flexibility, resilience and consistency of purpose plus the ability to understand and connect to the outside world.

Above all, leadership.

We need an approach to strategy which is fast and flexible and one which is constantly evolving and collaborative.

We need an organization, which is very flexible. It needs to be simultaneously local and global (a very difficult combination to achieve which can be facilitated by technology and mobility, but above all by alignment and direction). It needs to encourage an entrepreneurial working style by removing bureaucracy and rewarding enterprise. (As an aside, in our recent study on Entrepreneurship we found that many business leaders thought that they themselves were entrepreneurial but criticized their staff for not being entrepreneurial. At the same time, they felt that their staff could be too entrepreneurial! In other words, they are afraid of staff doing the wrong things. This is a question of trust. The answer lies in creating the right directional space in which empowered and competent people can apply their creativity and entrepreneurship.) It needs to use extensive networks of suppliers, customers and alliance partners.

But the organization also needs resilience. In the big storms in the U.K. in 1987, we lost millions of trees. Many more were blown down in the South than in the North despite the fact that the hurricane blew with equal ferocity in the North. The fact was that the trees in the North had learned how to cope with high winds through much more experience. They were both more flexible and deep-rooted. The resilient organization is a learning organization. It makes extensive use of knowledge, internal and external, to feed shared views within the organization. It has both deep roots and high flexibility.

Making all this happen is a big task for leadership. Leadership which is both bold and decisive, but also able to deal with a lot of uncertainty and ambiguity.

Leadership has to set the direction within which there is flexibility and freedom to innovate at speed. "Direction" is not about detailed plans and is not about micro management but it is about leadership which manages constantly to "challenge the status quo" whilst at the same time building deep roots by constantly deepening a shared vision, a shared common purpose and shared values. And instilling these in successive new generations of leaders. This sets the defined space within which flexibility and freedom can be let free without undermining the company.

In Accenture, we have faced extraordinary changes in our markets and constant challenges of new competitors. Holding on to core values and purpose whilst constantly adapting to the rapidly evolving marketplace has been critical. But in many ways too, we have had to create our future, to make the market and not just fight over existing markets. This sense of shaping the future will be ever more important.

I used to think that the future was out there already and if anybody could see it through the mists that obscure it, we would be much better placed to set our strategies. I actually think now that this is the wrong metaphor. The future is more like a ball of clay; it is up to us to shape it.

To do that requires a much deeper understanding of the world around us, of how business interacts with wider society. It requires a willingness to develop extensive and deep connections with a wide range of shareholders.

Business in a Wider World

I believe profoundly that it is in the interest of business and its shareholders to build a better world. If people are better educated and more healthy, if countries have good legal frameworks, sound policies to encourage enterprise and competition and combat corruption, then, long term, business will benefit through more productive employees, more stable civil society, higher economic growth and the creation of new markets, new consumers, new savers, new investors and new entrepreneurs.

By channeling the wealth of expertise in areas such as technology, training and management skills to local entrepreneurs, global business can simultaneously lay the foundations for new markets and help create more positive cycles of sustainable development.

This is not philanthropy; this is simply good business.

I have just come from a meeting of the Digital Opportunities Task (DOT) Force in Calgary hosted by the Canadian government. It offers a great example of what can be achieved when business, governments and civil-society decide to work together, rather than in opposition.

It was set up by the G-8 Heads of State in July 2000 to examine ways in which information and communications technologies can promote sustainable development in the world's poorer countries.

Uniquely, this brought together governments of G-8 and developing countries, the international private sector, civil-society organizations, and the multilateral development agencies. We have witnessed a remarkable transformation in attitudes, from one of initial suspicion to a determination to work together to achieve real change.

Underlying the DOT Force approach was the recognition that ICT can make a contribution to:

- Education: for example the extraordinary impact of remote learning.
- Health: for example real advances have been made in the early identification and treatment of meningitis in central Africa through diagnosis and treatment support over the Internet.
- Enterprise: for example enabling Peruvian farmers to connect to exotic vegetable markets in New York. Another favourite example is combined community centre Internet access with mobile phones to allow fishermen on the Indian Ocean to be aware of approaching wave heights and thus optimize their fishing activities.

But technology alone is not enough. All the other fundamentals have to be right. These include getting the policy framework right, developing more educated and aware human capital and developing local languages and adapting to local culture.

Entrepreneurship is also particularly crucial; it is the engine of economic growth and generates the revenues needed to support wider social goals. Under the DOT Force remit, we have been working with HP and Telesystem on new initiatives to move from aid to partnership in order to improve local wealth creation.

My main message to the DOT Force, which I repeat regularly, is that we do not need any more reports, we do not need any more conferences, what we need is action. Never has the Accenture byline "innovation delivered" been more relevant here.

Conclusion

In conclusion, I want to underline three things to think about as we think about setting strategies in an uncertain world.

1. Even more so in these uncertain times we need to remember that business is a part of society, not separate from it. Not only do wider events affect business, but business itself has a huge impact on the world around it. Therefore we need to learn to listen as well as act.
2. Of course, business has to have the ability to adapt to new and possibly unforeseen circumstances. But it should not underestimate its ability to help shape the future. However, it can't do this on its own. It requires a willingness among all stakeholders to work collaboratively on areas of mutual benefit.
3. All of this is a huge task for leaders—setting the direction, purpose and values to give the right entrepreneurial space and creating a future in which both business and society grasp the opportunities which are out there, even in these very uncertain times. It is in all of our interests to get this right.

The appreciation of the meeting was expressed by Heather Ferguson, Director, Development and Alumni Relations, Faculty of Nursing, University of Toronto and Director, The Empire Club of Canada.

May 16, 2002

Dr. Donald E. Panoz

Owner, Panoz Motor Sports, Founder, American "Le Mans" Series and Founder, "Trans-AM" Series

EXTENDING THE DREAM

Chairman: **Ann Curran**
President, The Empire Club of Canada

Head Table Guests

Verity Craig, Associate, Carmichael Birrell & Co. and Director, The Empire Club of Canada; Matt Wood, OAC Student, Nelson High School; The Reverend Kim Beard, Rector, Christ Church, Brampton; Carl Tupper, Special Events, Speed Channel (in Canada); Ken Wilden, Professional Racing Car Driver and "3 Time" Canadian Champion; Vic Bernardini, President, Aston Martin Jaguar Land Rover Canada; Sean Webster, Manager, Provincial and Professional Affairs, Eli Lilly Canada and Director, The Empire Club of Canada; Andrew Baird, Partner responsible for the United Kingdom, Corporate Development International; and Richard J. Hanchar, President, Too Fast Consulting and Professional Race Car Owner.

Introduction by Ann Curran

We have all heard about the American Dream—the risks, the rewards. Well, ladies and gentlemen, you are about to hear one man's story.

In the days of multi-nationals it is heartening to hear that the entrepreneurial spirit is alive and well.

Chances are Dr. Panoz has indirectly touched your life and you do not even know it!

Donald Panoz was born on February 13, 1935, in Alliance, Ohio, the son of a first-generation Italian-American and featherweight boxer, so it's not hard to imagine where his determination and approach to life comes from.

The Panoz story goes back to the first company Don formed in 1960 which was Mylan Laboratories in Morgantown, West Virginia—a small, pharmaceutical, packaging and distribution company. By the time his favourite baseball team, the Pittsburgh Pirates, were winning the 1960 World Series, Panoz had a small group of Mylan investors. Many of the players invested their Series bonus checks in their ardent fan's business. The athletes never had cause to regret the gesture—$5,000 invested in 1960 was worth $3 million in 1992 and continues to grow today.

In 1969 he brought his wife and five children to Ireland and set up a new company called Elan Corporation. Elan developed several groundbreaking medications and technologies, the most famous being transdermal technology used to deliver nicotine to the bloodstream, which evolved into the nicotine patch. Elan Corporation's market capitalization is US$12 billion.

Not content to rest on his laurels, Dr. Panoz sought out other business opportunities in North America and Europe, which has seen him rise to the top of several industries including world-class resorts, golf courses, a winery, and now motorsports.

In 1997 he discovered a new passion—racing! That was the year in which he formed the Panoz Motor Sports team to build a new heritage in auto racing. Not surprisingly, in five short years he has established himself as one of the most influential leaders in the world of motorsports.

Dr. Panoz is the owner of the Trans-Am Series, North America's oldest annual road racing championship, which is now entering its 37th year. Many of you will recognize the name "Trans-Am" from the stylish North American muscle car. Its name was derived from this series. The Trans-Am Series will visit two Canadian venues—Mosport Park and the Grand Prix de Trois-Rivieres—during its 12-race 2002 season. Panoz is also the founder of the American Le Mans Series, which has established itself as a flourishing championship in the tradition of one of the world's most famous motorsports events—the 24 Hours of Le Mans. Dr. Panoz has also acquired three racing complexes—Road Atlanta Motorsports Centre, Sebring International Raceway and Mosport Park Raceway.

Don Panoz is recognized worldwide for his business acumen and, after receiving honorary degrees from both Trinity University in

Ireland and Lynn University in Florida, can justifiably prefix his name with the title Doctor.

In his address today, Dr. Panoz will discuss his motivation in joining the motorsports industry after finding great success in completely unrelated fields. He will also share his vision for the future of the fastest growing sport in North America. For Dr. Panoz, the ambition and drive to succeed in motorsports is a perfect analogy for success in the world of business.

Ladies and gentlemen, Donald Panoz.

Donald Panoz

I'd just like to begin by saying what an honour it is to be here today, and to be included among the distinguished list of guests who have been invited to address the Empire Club. Thank you very much for offering me the opportunity to become part of that tradition. After reviewing the famous speakers that have been here before me—Winston Churchill, Prime Minister Trudeau and Ronald Reagan—I'm delighted that my topic today is motorsports not politics.

The story I'm going to tell you today is a bit unusual in that it differs from the standard expectations of a motorsports saga, if there is such a thing, in a number of ways. To begin with, I am not one of those people who were born with motor oil running through my veins. Indeed, given that I made my name in the pharmaceutical industry and later the resort and winery industries, you could make an argument that I was born with drugs, wine and hospitality running through my veins, although I'm reasonably sure that isn't the way I'd prefer to be remembered. Prior to my involvement in motorsports, I had spent 37 years in the pharmaceutical industry, founding two NYSE companies—Mylan Labs and Elan Corp.—and 12 years in the resort and winery business building Chateau Elan in Georgia and St. Andrews Bay in Scotland along with the development of Diablo Grande in California.

In sharp contrast to the way things are generally done today, when interest in and passion for motorsports is handed down from generation to generation, in my case it was handed up, thanks to the interest of my son, Danny.

When Danny came to me in 1989 and said that he wanted to build cars, I tried to talk him out of it. Hadn't he heard of Tucker and Delorean? Like most fathers, though, I wasn't particularly successful when I tried to get in the way of my son's aspirations.

And so, in 1990, Danny's vision became a reality when the Panoz Roadster made its debut. Almost immediately, the car received praise for having some of the best performance characteristics of any hand-built roadster that met safety standards established by the United States government.

The Panoz Roadster served as the foundation upon which we ultimately built our motorsports empire. In 1996, a new model, the Panoz Esperante, was on the drawing board, and it was then that I told Danny that he needed to build a heritage in motorsports if he wanted to be successful in the sports car manufacturing business. His response, basically, was: "Gee, Dad, I'm kind of wrapped up in the development of this new car. Why don't you do it?"

At that point, I was in my early 60s, and I had attended a grand total of four races in my entire life: a Formula One race at Barcelona, a NASCAR race at Charlotte, a sports car race at Road Atlanta, and the 1998 Indianapolis 500—and I had only gone to the 500 because my wife had been given tickets that entitled us to seats on the top deck of the front straightaway.

It was at about that time that I had a conversation with Adrian Reynard, who had become a very successful chassis builder in open-wheel racing. When I told him of my interest in getting involved in racing, he asked, "What type of racing were you thinking of?" Well, largely because I had seen the movie Le Mans with Steve McQueen and I thought that type of sports car racing looked exciting, I said, "Le Mans."

That's how it all started, and I'd love to be able to say that the rest is history! But the truth is there were a number of significant challenges and roadblocks along the way. We built our first Grand Touring Prototype or GTP car for the 1996 race season, and it was voted best in show at the Autosport Fair in Birmingham, England. It was shortly after that I ran into my first experience in the politics of racing.

We had been told that the car had to be homologated, or certified road-legal, by the Federation Internationale d'Automobile, or FIA, before it could be entered in competition. So, it appeared that the homologation process was to be completed by the start of the 1997 season.

Then, in January of 1997, due to Mercedes wanting to compete before homologation was issued, the organization then known as FIA reversed itself and said that cars could compete while they were going through the homologation process. So, we'd lost the ability during late '96 to test our race car because we had to have the road car homologated first.

Our first race car was delivered at the end of February, 1997, just prior to the 12 hours of Sebring. We put the car on the race track following a mere five days of testing with Eric Bernard, a former Formula One test driver, behind the wheel. During practice for the 12 hours, Andy Evans, the track owner at Sebring, owner of the Professional Sports Car sanctioning body and sports car racer, got on the radio for all to hear and said he'd been chasing that damned Panoz for three laps and that he couldn't get around it, and that the car would have to be penalized with the addition of 150 pounds of weight and the order of the drivers would have to be changed. During the subsequent race, we moved from 38th to eighth place before the engine failed. We still hold the track record for GTPs at Sebring.

As we prepared for our next race at Road Atlanta, we were told that we couldn't run carbon brakes and that we had to run steel brakes which necessitated radical changes in the setup and preparation of the car.

By this time it was obvious that we weren't being welcomed with open arms. By the time we arrived at Mosport at the end of August, we'd been winning some races and we were one race away from leading the manufacturer's championship, and it was during this week that Professional Sports Car once again reversed itself and decided that carbon brakes would be permitted, thus giving us five days to set up a car. How ironic was this decision when Porsche was shipping a new driver line up and a new GTP which had carbon brakes from Germany?

But we did, and over the next three years we won six championships and basically brought an end to the GTP careers of McLaren, Mercedes and Porsche. More recently, the Panoz has been the only marque that has been able to beat the Audi during the years of its recent dominance.

At the end of the 1997 season, when sports car racing was really in disarray, I agreed to take over operations at Sebring International Raceway and Mosport Park. It was my feeling that sports car racing should have stable rules. In my view, racing was about going faster, not slower, and I wanted every competitor to be able to build cars to a stable set of regulations that would remain the same from the start of the season to its finish. So I licensed the rights to use the Le Mans name and rules from the ACO (Automobile Club de L'Quest).

Eventually, I took over the sanctioning body and changed its name back to IMSA to invoke the tradition and heritage of the International Motorsports Association. We are now the most successful road racing series in the United States. Our ratings and demographics are better than those of Cart and the IRL, which many consider the premier open-wheel racing organizations in this country, if not the world.

The growth of IMSA's American Le Mans Series over the past six years has been such that we drew a record crowd of more than 190,000 for the 12 hours of Sebring this year. The ALMS has been an international success as well, drawing more than 162,000 fans for its first-ever event at Adelaide, Australia on December 31, 2000.

I got involved in racing in 1997, the year when Tommy Kendall won 13 Trans-Am races in a row to set a record. I followed the Trans-Am on television throughout the season and it always provided close, exciting racing. But for a number of reasons, most having nothing to do with what was happening on the race track, it seemed as if the series had fallen on hard times.

I didn't feel that a series with that much tradition and history should just fall by the wayside, so in 2000, in partnership with Ralph Sanchez, we purchased the rights to the series, which continues as the longest-running road racing series in North America.

I was attracted to Trans-Am racing because in its style it represents the image of what many people consider "American" road racing. As our marketing campaign states, it's "American Muscle Versus the World." Trans-Am Series racing is probably a more aggressive type of racing than the American Le Mans Series, but it's a series the fans can relate to every bit as much.

And the series appears to be coming back. People are paying more attention to the Trans-Am than in years past, and we are excited about continuing in the tradition established by legends like Canada's own Ron Fellows, Mark Donohue, George Follmer, David Hobbs, Wally Dallenbach, Jr. and Tommy Kendall, whose record of four Trans-Am driving championships is being chased by Paul Gentilozzi this season.

By all the numbers, which indicate growth year after year after year, the future of sports car racing is extremely bright. More than perhaps any other form of motorsport, sports car racing has become the platform to show off new cars and new technologies. I think our success has also demonstrated that it's a type of racing people can relate to, and providing our teams with a stable rules package gives them the opportunity to plan for an entire season of competition.

All of that will lead to higher-quality fields and better race venues, for both the Trans-Am and the American Le Mans Series. This year, for example, Miami and Washington D.C. have inaugurated city street races, where both the ALMS and Trans-Am Series will appear on the program. I think that shows that we have the type of racing that people want to see.

In addition, IMSA and the American Le Mans Series have added Trois Rivieres and America, which are already long-time Trans-Am venues and we look forward to racing on the streets of Chicago in 2003. In all, the 12-race schedule we will have in the future will have the spectators, fans and teams following the road to the icon of sports car endurance racing—the 24 hours of Le Mans.

Sports car endurance racing is not a new sport. The 24 hours of Le Mans has been running for 75 years and the 12 hours of Sebring celebrated its 50th anniversary this past March. It is different from other forms of racing—IRL, Cart, Formula One and NASCAR—in that the cars are the stars, not the drivers, providing the fans a look into the future technology of cars they can dream of owning and driving every day.

Le Mans style racing is the type of racing that fans can relate to—a mixture of four different classes, with the top class, the LMP900s, 100 kilometres faster than the GT class, and all competing on the same track at the same time, which is not so different from what one would experience on a motorway or country road. It is racing for four championships at once.

In the years between the former IMSA or Camel Series until I entered the picture, sports car racing was in a downward spiral, to the point of only 2,000–3,000 fans on a good event day. The famous road courses were falling into disrepair and not able to meet the ever-improving safety requirements. A snap shot of 1997 when I started: the well known tracks like Watkins Glen, Road Atlanta, Mid-Ohio and Road America couldn't attract over 4,000 fans, while the renowned Daytona 24-hour race saw about 20,000 fans and Sebring was at about 50,000. In June of 1998 Professional Sports Car held a race at Road Atlanta which drew about 3,000 people. Just four months later, we held the first Petit Le Mans event at Road Atlanta under our new philosophy, which attracted 35,000 people and we have grown the entry and spectator base every race and every year since. What caused this turnaround?

Sports car racing during its downward spiral was plagued by poor, outdated, non-performing cars and politics that punished those who succeeded, bringing about a lower standard, so those who couldn't compete in any other way were rewarded by making everyone go slower. Like Berlin, we tore down the phony wall, we rewarded technology and going faster. The fans, understanding they would get their money's worth, started to come back and the tracks with good racing and revenue started to rebuild. Mosport is a prime example of our success and a prime example of why mediocrity doesn't work.

Our fan base demographics are impressive. Taken from a Mediamark Research Survey:

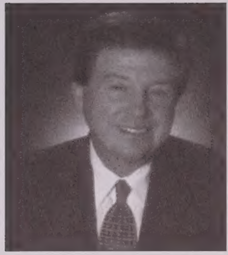
1. American Le Mans Series has the greatest concentration of viewers with IEI of $75k versus other sports.
   ALMS = Index of 156
   College Football = Index of 138
   NBA = Index of 128
   NASCAR = Index of 95

2. American Le Mans Series has the greatest concentration of viewers who spent $40k or more for an automobile versus other sports.
   ALMS = Index of 143
   NBA = Index of 120
   NASCAR = Index of 81
3. American Le Mans Series audience composition is the "Créme de la Créme" of all auto racing. Based on averages, American Le Mans Series fans tend to be in a higher income bracket, own stock and use a financial planner or money manager, own newer cars that tend to be luxury or sports coupe makes, and are decision makers on purchases such as computers and telecommunication equipment.

Our television ratings are second in motorsports only to NASCAR. We are attracting real sponsors, real and successful teams, professional privateers and manufacturers with a platform for their products and services.

Change the words in my story "teams that are not competitive" to "welfare," "fans" to "voters," "auto manufacturers" to "creators of wealth," "politics in racing" to "special interest groups," "control of the sport" to "political correctness" and we have a good example of "free honest democratic market" versus the hype and illusion of mediocrity.

The appreciation of the meeting was expressed by Sean Webster, Manager, Provincial and Professional Affairs, Eli Lilly Canada and Director, The Empire Club of Canada.



May 30, 2002

John McLennan

Vice-Chairman and CEO, AT&T Canada

SEIZING OPPORTUNITY: CANADA'S CHANCE TO LEAD OUT OF THE CHAOS OF THE COMMUNICATIONS REVOLUTION

Chairman: **Ann Curran**
President, The Empire Club of Canada

Head Table Guests

Catherine S. Swift, President, CEO and Chair of the Board, Canadian Federation of Independent Business and Director, The Empire Club of Canada; Huong Trinh, Graduating Student, Parkdale Collegiate Institute; Rev. Dr. John Niles, Victoria Park United Church and Director, The Empire Club of Canada; Gaylen A. Duncan, President and CEO, ITAC (Information Technology Association of Canada); John MacDonald, President, MacDonald Ventures; Purdy Crawford, Chairman, AT&T Canada Corp.; Bart J. Mindszenthy, APR, FCPRS, Partner, Mindszenthy & Roberts Communications Counsel and 2nd Vice-President, The Empire Club of Canada; Peter Bowie, Chief Corporate Officer, Platform Consulting; Fred Sorkin, Chairman and CEO, Hummingbird; and Ted Rogers, President and CEO, Rogers Communications Inc.

Introduction by Ann Curran

One of the wonderful things about the Empire Club is that it is Canada's oldest speaking club of record, which means you can read about the significant events, industries and people who have effected change in Canada and abroad over the last 100 years—in effect snap shots of history. Ladies and gentlemen, I don't think there is a better illustration of this than in telecommunications.

In November 1917, Professor Alexander Graham Bell addressed the Empire Club and delightfully described how the telephone was devised in Brantford, Ontario in 1874 but was not made until 1875, when it appeared in Boston, Massachusetts, so that the telephone was conceived in Brantford in 1874, and born in Boston in 1875.

In 1935, Dr. J. Perrine of AT&T spoke about "Voices Across the Sea," the transformation and transmittals of waves. He gave visual demonstrations of sound waves and what was going on inside a telephone.

In 1953, 1964 and 1969 respectfully, Thomas Eadie, Marcel Vincent, and Robert Scrivener, all Presidents of The Bell Telephone Company of Canada, spoke about "Telephony—A New Era in the Making," "Bell is Big Business," and "The Coming Revolution in Telecommunications."

Then in 1996–97 just when the debate on monopolies versus competition galvanized the industry, The Empire Club of Canada hosted a series of addresses on telecommunications entitled "Competition, Who Needs it?" Leaders in all segments of the industry spoke on the issues that faced Canada in a 21st century that would be transformed by telecommunications; topics such as "Competition—Creating A New Balance of Power," "Canada and the Globalization of Communications" and "Successfully Managing a Global Business in Good and Bad Times" were just a few.

Now the telecommunications industry faces a whole new set of challenges as technology has truly changed the way and speed in which people communicate. Canada can be on the forefront or fall to the side lines which leads us to our topic today—"Seizing Opportunity: Canada's Opportunity to Lead Out of the Chaos of the Communications Revolution."

As with any revolution, the chaotic change overtaking the communications industry holds both great risk and great opportunity. Canada has a real opportunity to become an innovative, world-class player in the creation and exploitation of the most valuable currency in the new information economy—intellectual capital.

John McLennan, Vice-Chairman and CEO of AT&T Canada, will explore a new vision for Canadian business and discuss what

Canada must do to seize the opportunity and take its place at the forefront of the global race for innovation and economic prosperity.

Few people are as well equipped to talk about this as Mr. McLennan with his wealth of experience in hi-tech and telecom industries in North America.

John has a 30-year background in communications in both start-ups and established companies.

He has 20 years' experience in technology companies and 12 years' experience in telecommunications, not to mention the time spent as a board member and advisor to many high-tech companies in North America.

More specifically, Mr. McLennan joined AT&T Canada as Vice-Chairman and Chief Executive Officer in May, 2000. Prior to his appointment to his current position, Mr. McLennan was President and Founder of his own firm, Jenmark Consulting Inc., specializing in strategy, finance, and management of technology companies in Canada and the U.S., with a primary focus on telecommunications. From 1994 to 1997, Mr. McLennan was President and Chief Executive Officer of Bell Canada and President of Bell Ontario from 1993 to 1994.

From 1990 to 1993, Mr. McLennan served as President and Chief Executive Officer of BCE Mobile Communications Inc. (BCE Mobile), and from April, 1993 to September, 1994 he was Chairman of the Board of BCE Mobile. Prior to assuming his positions at the Bell Canada group of companies, Mr. McLennan served as President and Chief Executive Officer at Cantel AT&T Wireless, Canada's largest wireless services provider. Mr. McLennan was an Executive Vice-President of Mitel Communications Inc. during its first eight years of rapid growth. Mr. McLennan is also a member of the Board of Directors of Hummingbird Communications, Mobile Data Solutions Inc. (MDSI), Leitch Technology and Amdocs Limited. Mr. McLennan is Chancellor of the University College of Cape Breton and graduated from Clarkson University with BS and MS degrees in industrial management. Mr. McLennan has an honorary Doctorate of Science from Clarkson University.

John McLennan

Thank you, ladies and gentlemen. It's a distinct privilege to be addressing this club again.

Today is an auspicious day indeed for my industry, not because I'm here at the Empire Club, but because one of the most important regulatory decisions in the history of

Canadian telecommunications will be announced by the CRTC at 4:00 p.m.

I am sure that the two events are not connected. When I accepted the invitation to speak, we were confident that the CRTC decision would be announced by the end of 2001. Then the date was moved to February. Then to April. Then to May. Then to late May. Then to today. And then to the afternoon of today. I'm certainly very lucky that we didn't perfectly overlap—and I sure hope I'm still feeling this lucky tonight, after I review all the details of the announcement.

It just so happens that I have more than a passing interest in the decision, and could speak about it and what led up to it, although I am choosing not to do so here today. There will be more than enough opportunity to discuss and analyze this specific subject in the days ahead.

What I will say is that the content of the decision is essential to what I am going to talk about, which is about how Canada, with bold vision and initiative, can establish itself as a global leader in the next phase of opportunity and growth in the global information and communications industries.

My message today is consistent with what I've said before—including the last time I spoke here—and it is this: in the truly globalized world where we now live and compete, Canadians can win on the world stage, but we need to make choices about how to lead in creating the future of the information technology industries, instead of following, which is the mode that we're currently in.

These choices will, ultimately, be reflected in the creation, here in Canada, of world-leading development centres for information-based applications, technologies, services and solutions, which will be then exported to customers around the globe.

I am convinced that this remains an enormous opportunity because in a knowledge-driven economy, innovation and risk taking that accelerates business productivity by transforming data into information and knowledge, and deploying it anywhere, anytime, will be well rewarded.

I say that because we are no longer in the "build it and they will come" days of telecommunications infrastructure construction at any cost, driven by success metrics that valued revenues, dollars invested and market share more than cash flow and profitability.

However, I'm also fearful that our core facilities-based carriers are reluctant to lead, even when the need to build the bridge to the future—an innovative infrastructure, including a solution for the last mile—has never been greater.

Unless carriers begin by understanding the customers' real network needs, and what they're prepared to pay for, we're in real danger of magnifying the mistakes of the past and letting the real opportunity slip through our collective fingers.

As reported by several industry watchers, consumers and businesses have been amassing technologies that all consume bandwidth. I'm thinking here of CD and DVD burners, servers, cellular phones, PDAs, satellite dishes and new breeds of wireless local networks operating on public standards. Customers want something different to give them fresh competitive advantage.

So an alternate network with far lower capital and operating costs will be necessary to unleash the information industry globally, spurring unprecedented demand for next generation electronics and their entire supply chain. But that isn't happening.

Looking back over the last five years, it's hard to believe how wrong everyone was. Oh, carriers built out their traditional networks and many customers did come. But they were coming asking all the while for lower, and lower, and lower prices, essentially collapsing the financial logic that underpinned what was literally billions of dollars of investment.

The consequences are well known: many carriers have fallen and not just undercapitalized new entrants. Even substantial players are struggling, such as WorldCom, Qwest, British Telecom and Deutsche Telekom. The companies that supplied these carriers with hardware have seen their share prices collapse and have endured an operating meltdown, with revenues at one-third of peak levels. Millions of Canadians have also been affected, many through job losses, but most through the slow torment of steadily shrinking RRSP portfolios.

So where does all this leave the customer? In the short term, perhaps a little better off, but in the long term, at considerable risk. Today, the dream of a customer-focused competitive marketplace in telecom is fragile indeed. Rather than realizing the full benefits of competition, the industry in Canada teeters on the brink of becoming a high-priced, risk-averse duopoly (maybe even a monopoly!).

But having a competitive carrier industry is a fundamental building block of a 21st-century economy and is key to what I want to discuss: based on what we've all learned in the last five years, what rules of engagement should Canada choose to build an information industry that is both customer-friendly and financially viable?

It is clear to me today, as it has been throughout my career, that Canadians can compete in the information industry. We can create a nucleus of world-class expertise in this country. We can design products and services that others around the world will want to buy.

There are stellar examples of companies who have done just that. When you think about network infrastructure, Nortel is the name that comes most readily to mind, though there are others—JDS Uniphase, Mitel, and Alcatel, known formerly as Newbridge Networks. These are all global leaders in their competitive space.

Known formerly as Bell Northern Research, Nortel's research arm alone was the nucleus of literally 200 technology start-ups that today are the cornerstones of our country's innovative capability in this space. Without Nortel, there would have been little hope of achieving critical mass. They made Canadians proud. I hope they can do so again, especially by understanding how high-speed networks must be established to meet customer demands at much lower cost.

My call for action is made against a backdrop of concern about the general trends in the Canadian economy. A few weeks ago, Gordon Nixon, CEO of the Royal Bank, sounded the alarm over what he called the hollowing-out of corporate Canada.

He didn't take the easy road and blame this situation on government policy, or foreign competitors, or the fickleness of investors. He said, quite bravely, and in my opinion quite rightly, that one of the causes of this decline lies in the Canadian business community's unwillingness to invest in research and development.

I agree, and that's because, in my opinion, many Canadian CEOs have never had to depend on research and development to achieve success in this country.

Statistics bear out Mr. Nixon's concern. Canada's innovative capacity is less than half of that of the United States, second last in the G-7, and, according to the OECD, 16th in the world. We are last in the G-7 for domestic patent applications. Our venture capital market is only about 40 per cent of the size of that of the U.S., after adjusting for population. And the Americans even have an auxiliary network of government-backed venture capital, through the Small Business Administration, that gives them even further advantage.

These statistics have real quality-of-life implications for Canadians.

I say that because I believe that an important part of Canada's future prosperity will depend on our ability to innovate and take R&D risks at world-class levels.

Our world is becoming increasingly interconnected. This construct requires companies, governments and individuals to rethink the traditional borders and business models that separate each entity.

Nowhere is this change more apparent than in the information technology space. In this new world, the last mile has become a data link, rather than a voice link, to the network.

Mobile workers have high-speed access to their companies' internal networks using public infrastructure and cheap standards-based technology. Virtual conferences are held that provide a highly interactive, content-rich experience for many browsers and telephones in the world. Companies collaborate with suppliers, customers and trading partners to create customized products and services at lightning speed. Expensive data-transfer technologies are being replaced by off-the-shelf, cheap standards-based solutions, allowing low-cost supply chain optimization to be realized.

So, in this new world, information flows freely to the right place, in the right format, to the right user at a relatively low cost under the control of the customer. These networks of companies will continue to create incredible amounts of value, as transactions become efficient and the best ideas and designs emerge quickly.

Companies, industries and governments that do not embrace this change in thinking will increasingly become marginalized. Endorsing and acting on this new network construct will help to ensure long-term value creation and success for those who participate.

Even industries where information was not considered a big source of advantage, such as our automotive sector, have realized that knowledge mobilized is advantage multiplied. Knowledge, rather than plastic or steel, will be the biggest source of the new value they build into the cars and trucks that Canadians and world customers will buy.

While the success of any single industry alone will not, all by itself, reverse the decline that has beset Canada, making a commitment to our information industries is one of the places where our chances of winning are very, very good.

So I propose, that as part of an overall strategy, we create incentives and take initiatives in three related areas that will put our information and technology sector onto a path toward global leadership.

First, everything begins by having a vibrant and competitive telecom industry. This may sound like a "showstopper" and self-serving given the generally negative trend of both analysts and investors on the sector and our unwillingness to consider leapfrogging existing infrastructure with networks that are right for customers, but it is a crucial building block to achieve this opportunity.

The knowledge economy is the connected economy. Knowledge—the fuel of prosperity—will circulate on digital channels, as efficiently and at as low a cost as possible.

Since 1992, when the CRTC first introduced competition in telecom, huge amounts of money have been invested to create facilities-based competitors to take on the incumbents. That may have been a bold and original strategy at its time, but it isn't right for Canada's future. Today, the amount of capital needed to mount a full-scale assault on entrenched incumbents using their current network design approach would be impossible to obtain on commercial terms.

In our submissions to price-cap hearings last fall, we proposed a hybrid model—one where competitors would own duplicate facilities in some markets and share them in others. The logic of minimizing redundant and hence idle infrastructure, while preserving the benefits of competition, is very appealing. It moves the industry to where it must be in order for competition to survive with high utilization rates, capital efficiency, growth, profitability and positive cash flows.

The real point, however, is that continuing to conceive of competition as being based on facilities, not ideas, doesn't make sense in a world where returns will increasingly flow to intellectual capital, not physical assets.

Second, we have to build the right facilities to serve what customers need and want. This means relying on a strategic build out so as to ensure that we have the most sophisticated information infrastructure available, with minimal redundancy. And it means moving to next generation technologies that have lower capital and maintenance costs.

This latter point speaks directly to the opportunity of solving the last-mile problem. Many companies, institutions and municipalities are working to address it themselves, using off-the-shelf standards-based technologies because they are concerned that the current service providers are not moving aggressively enough to provide solutions that are good enough, fairly priced, and available wherever needed.

In reality, building out leading-edge capacity doesn't have to be done using conventional terrestrial means. It can be done via cable, or satellite, or wireless, or through some combination thereof. Canada has excellent companies in all these fields and their expertise should be brought to bear on what is a vital imperative—building the foundation of an innovation pipeline that takes us to the future on our own terms.

Having that kind of confidence means that as a country we can finally move beyond the obsession with domestic ownership and control that are genuine impediments to progress.

As someone who has watched the information industry evolve around the world, I can say with confidence that nationality in infrastructure doesn't matter anymore.

Who owns the infrastructure is not strategic. What is strategic is having the most advanced network in the world that can serve as platforms of growth for Canada. Pragmatically, this means dropping any restrictions on foreign investment of communications infrastructure. They aren't helping what is already a difficult and demanding challenge. In fact, they're very much in the way!

The final phase—the one that offers the greatest opportunity to Canada—is creating world-leading technologies, applications, solutions and services that are delivered to the global customers.

Imagine what this country could look like if we had 50 more companies like Cognos, or Hummingbird, or Platform Computing, or CGI, or my own company. For AT&T Canada, participating in the innovation economy was too important strategically to ignore, so we acquired and merged Montage and DMC to give us a world-class capability to manage and distribute knowledge. We have more than 500 engineers here in Canada developing applications and services for our business customers, all of which are exportable.

For those of you who may doubt that Canada is able to participate at this level, let me give you an example of how world-class this country really is. Some years ago, I was involved in a decision in which Ericsson, the Scandinavian hardware and services company, was considering whether to locate an R&D operation in Canada (after we had asked them, of course!).

After some arm twisting, it eventually committed some 50 software development jobs in the Montreal area. Now that number has grown to nearly 1,800 with no arm twisting at all because it found Montreal was the best place on earth to develop wireless/cellular technologies, which it turned around and sold to the world. We can lead and we must lead.

Reaching the future on our own terms also certainly means relying on global players to do their share here in Canada, along with our Canadian champions. I would begin by asking those global companies that have a stake in Canada already to raise their position. Could EDS or IBM double up on their innovation investments here? And why not seek and earn more global product mandates, all serviced from Canada?

I'd also go after new ones who aren't investing as much as they could. Here I'm thinking of enterprises like Microsoft or Oracle or SAP and others who could be doing much more in the way of R&D activity in this country.

That's just the beginning. What about the hundreds of mid-size companies in North America that are interested in making the jump to the next level? Imagine what they could do in this country if we ensured they had the best conditions in the world to make that leap forward?

This really is an enormous opportunity for Canada. Think about it for a moment more. Imagine our country with 50 or more companies of the likes of RIM, Open Text or PMC Sierra.

I believe we can do it, but only if we begin by getting our foundation conditions right. Intuitively, I believe, unfortunately, that we as a nation are slipping in this area. The number of top-tier, globally competitive players in the information industries that count on Canada for a crucial part of their intellectual capital stock is diminishing. Fixing this and putting us on a path toward global leadership is an urgent national priority.

The role of the federal government in all of this is certainly important. It is the facilitator. The broker. The architect. It's up to private enterprises to put up the money and take the operating and market risks. But companies must do so in a climate and context where the nature of their risk is recognized.

So I applaud Minister Rock's initiative to emphasize innovation. I encourage him to move this to the next level with the help of people in the industry to create a vision and strategy to make it happen. I also challenge Canada's CEOs to make the effort and understand how investment in focused Research and Development for their company can dramatically improve competitiveness and productivity. And, by the way, I believe the most skilled and cost-effective work force to do this resides right here in Canada.

With the courage to compete, Canada can make the leap into the future from being primarily a consumer of others' ideas to selling Canadian ideas rooted firmly in innovation. That's where the future is, and that's where we should be aiming.

Instinctively, we are a nation of builders. From Macdonald and Cartier, who had dreams of a nation bigger than what they themselves could see or even imagine, Canadians have gone beyond their dreams in the past. We can, and must do so again.

Thank you very much.

The appreciation of the meeting was expressed by Bart J. Mindszenthy, APR, FCPRS, Partner, Mindszenthy & Roberts Communications Counsel and 2nd Vice-President, The Empire Club of Canada.

June 6, 2002

Dr. Henry Haddad

President, Canadian Medical Association

A SUSTAINABLE FUTURE FOR HEALTH-CARE POLICY

Chairman: **Ann Curran**
President, The Empire Club of Canada

Head Table Guests

Doug Morris, President, Morris Glass Inc. and Director, The Empire Club of Canada; The Reverend Vic Reigel, Christ Church, Brampton; Heather Ferguson, Director, Alumni Relations, Faculty of Nursing, University of Toronto and Director, The Empire Club of Canada; Dr. Kenneth Sky, Past President, Ontario Medical Association; Dr. Hugh Scully, Former President, Canadian Medical Association and Chair, World Medical Association Work Group on International Physician Migration and Work Force Issues; The Reverend Dr. John Niles, Rector, Victoria Park United Church and Director, The Empire Club of Canada; The Hon. Diane Cunningham, MPP, Minister of Training, Colleges and Universities for the Province of Ontario; and Hugh Segal, President, IRPP (Institute for Research on Public Policy).

Introduction by Ann Curran

Last week, I mentioned that one of the unique aspects of the Empire Club is that it is Canada's oldest speaking club of record. Through our yearbooks and our foundation's Web site you can read about the significant events, people and policies that have helped shape this country over the last 100 years—in essence, snap shots of what is happening in Canada and abroad. A prime example of this is the history of Canadian medicare.

In 1966, Dr. R. Jones, then President of the Canadian Medical Association, spoke about "Medicare in Canada." This was arguably the hottest issue in Canada at that time—the insurance of physician services to the people of Canada.

Since then, the club has had many experts from the medical, political, and legal communities, who have spoken about the pros and cons of Canadian health care, how it has affected Canadians and characterized our cultural identity and how it has compared to other health-care systems around the world.

In 1999, Dr. Hugh Scully, who is with us today, addressed the club on "Shaping Health Care for the Millennium."

Today, we have the pleasure of having the current President of the CMA, Dr. Henry Haddad, address the club on "A Sustainable Future for Health-Care Policy."

For those of you who may not be familiar with the CMA, it is the national voice of physicians and advocates on behalf of its members and the public for access to high-quality health care. It provides leadership and guidance to physicians. It also examines important issues in the health-care arena and their impact on the future of health in Canada.

Today, Dr. Henry Haddad will provide the details of the treatment prescribed by physicians to ensure that quality health care is available to Canadians and their families when they need it.

Dr. Haddad's remarks will form the basis of the CMA's submission to the Romanow Commission.

Dr. Haddad is a professor of medicine and former chief of gastroenterology and vice-dean for professional and student affairs at the University of Sherbrooke, Québec.

He was born in Sherbrooke and was educated at Bishop's University and at the University of Ottawa, where he obtained a medical degree in 1963. He completed postgraduate training in internal medicine and gastroenterology at Montreal General Hospital and the University of Pennsylvania respectively. Dr. Haddad has been on the faculty of the University of Sherbrooke since 1969 and was appointed full professor in 1982.

Please welcome Dr. Henry Haddad to The Empire Club of Canada.

Henry Haddad

Introduction and Setting the Stage

Thank you very much for that kind and generous introduction.

One of the reasons why the Empire Club is so valuable is because of the role it plays in our national life. The thing that unites us all here today is a common interest in the future of Canada. We put Canada first.

Bruce Hutchison, one of our country's finest journalists and political commentators called Canada, the "unfinished country." And in some ways we are.

Throughout our history our people and our leaders have focused on accomplishing common objectives so that our nation can move forward as one. Think of Sir John A. Macdonald and the national railway, our country's extraordinary sacrifice during times of world conflict, and the nation building of the latter part of the twentieth century. Bold leadership that created the Charter of Rights and Freedoms; bold leadership that created one of our most cherished national institutions—medicare.

Inflation is low and unemployment is on the decline. We are forecasted to have some of the strongest economic growth in the developed world. And we sit at the table of international decision making as a respected member of the global community.

But let me be uncharacteristically blunt. Despite this outlook, uncertainty over the future of health care is putting our nation's future at risk, and is holding us back from realizing the benefits that we have worked so hard, and sacrificed so much, to achieve.

To Begin, Uncertainty is Bad for Canada

Our nation depends on health care as a foundation for the strength of Canadian industry and its competitive position.

But uncertainty over the future of health care may undermine and erode the long-term health of our economy. More and more frequently, ordinary people and their employers are being left to pay the bills.

And to make matters worse, our country has no roadmap for reform, no clear idea on how we will protect and afford health care in the future. Instead of working together on this genuine national priority, governments have sunken into the morass of bickering and even open political warfare.

This must not continue. So let's you and I send a message to the political leadership. Let's tell them that it ends here, today.

Human Cost of Uncertainty

I hear about it in my travels in community after community, when people tell me how worried they are that they can't find a family physician willing to take on new patients. But as a doctor and a parent I also live it.

I see it in the faces of my patients who after a six-month wait are told to get in line for three more months for a simple barium meal or ultrasound.

The human cost hits home when a patient with cancer, a patient who may have had to wait months for life-saving surgery, finally arrives at the hospital on the morning of his procedure. He may have steeled himself mentally and gone without food or water. And then suddenly the operation is cancelled because the operating room has to be shut down because there aren't enough health professionals (nurses).

The human cost of uncertainty includes telling this patient that even after this ordeal, you may not know when his surgery—his cancer surgery—can be rescheduled. Think about that for a moment. If it happened to someone you love…

Keeping it Simple

I originally got into medicine because I had a desire to help people and serve my community by trying to make things better. I've never been one to sit back and let things just fall where they may. As a doctor and a teacher, I've always wanted to do what I can do to help people.

As President of the CMA and coming from Sherbrooke, I sometimes feel a little out-of-place in our nation's capital. That's because I have a simple, straightforward view about how best to end this uncertainty over health care and make a real difference in the lives of Canadians.

Here is what I believe:

I believe in putting patients and people first.

I believe in putting someone's health ahead of his or her ability to pay.

I believe in making health care genuinely more accountable to Canadians and their families.

I believe in opening the locked doors and windows of decision making, making it more transparent and inclusive.

And I believe in making changes based on what we know—using evidence—not what we simply think.

These principles are what guided us in our efforts to improve health care for Canadian families.

Today, we released the results of this hard work when we delivered our prescription for sustainability to the Commission on the Future of Health Care. While we have some 30 recommendations that touch on all major aspects of our health system, they rest on three main pillars: a Canadian Health Charter; a Canadian Health Commission; and a modernization of the Canada Health Act, with locked-in long-term federal funding and federal tax reform from Ottawa.

As you will hear, these ideas must go together, because it is only together that these ideas can provide genuine certainty in health care and improve the day-to-day lives of the Canadian people.

In delivering our ideas to Commissioner Romanow, we emphasized one other thing. Canadians want action on health care. The time for talk is over. There is a lot of work to be done.

Canadian Health Charter

Canada's doctors believe that Canadians have the right to know exactly what to expect when they need health care. So at the heart of our prescription package is the Canadian Health Charter.

A health charter will spell out everyone's rights and responsibilities in providing and receiving health care—patients, health providers and even government. Crucially, it will also establish and entrench clear minimum national standards of access for different types of health care. Canadians should not have to face uncertainty when they are faced with a life-threatening disease.

These health-care access standards—guarantees if you will—will be very clear statements about the maximum time any patient in any province or territory should ever have to wait for care. If patients face a wait longer than the acceptable standard, they will be able to get the potentially life-saving care they need, even if it means going to another province, or another country. And they can take some comfort in the peace of mind that comes with knowing that the government will cover the cost.

I like to think of the health charter as shatterproof glass that protects our basic health-care rights from the uncertainty of economic or political shocks. Shocks will happen. We just think that they can't be allowed to harm the health-care rights of Canadians.

Canadian Health Commission

For the health charter to mean anything, someone needs to keep a watchful eye and protect these rights. That's where the Canadian Health Commission comes in.

Now, the last thing Canada needs is more bureaucracy, especially when it comes to health care. The health commission is very different. It will be a watchdog, an auditor general of health if you will, that protects Canadian families and fights to bring certainty to health care.

The health commission could have between 12 and 18 people drawn from across Canada as members—ordinary people and health professionals removed from the world of politics—and will represent the national interest. It would be headed up by a commissioner, operating at arms length from all levels of government.

Think about it. It would mean transparency. It would mean accountability. It would mean an end to the backroom decision making on health care that typified the '90s. The commission will hold our collective feet to the fire using one of society's most powerful enforcement tools. It will use the power of public persuasion to get real results. The commissioner will shed light on the black box of bureaucracy by reporting to the Canadian people and telling them straight up—like a report card—whether our national health standards are being met.

Reforming the Canada Health Act

To give the health charter and health commission the teeth they really need, as a nation we will have to make a difficult decision and modernize the Canada Health Act. It's served Canadians well but health care has changed dramatically since it was first drafted some 18 years ago.

At a minimum, we have to modernize the act so that the charter, commission and health-care guarantee are officially recognized.

We strongly believe that the act must be amended to incorporate the health-care guarantee—the assurance that if a person has to wait too long for care, they can go where they need to to receive that care, as well as have the right to prospectively purchase supplementary insurance to cover additional costs.

But we really need to do much more. Right now only hospital and physician services are considered "core services." As a country, it is imperative that we have a discussion about which other core services should or should not be available to the people of Canada and covered by the health-care guarantee. This discussion needs to be open and honest. It needs to be conducted in public, in the open, and it needs to be based on facts, not opinions.

Few decisions we make as a nation will be as important as this one. But we've proven before—countless times—that we can come together as a country and make decisions about our national priorities. We have the courage. And we must act now for our children's sake and for the millions of Canadians who want an end to the uncertainty. We must move forward and build public health care for the future.

Federal Government Must Pay Its Fair Share

Now, it goes without saying that ending uncertainty in health care will take time and a lot of energy.

It also means a financial investment in the future and the federal government paying its fair share of health-care costs.

The 1990s delivered a near fatal blow. Cumulatively, Ottawa withdrew over $30 billion from health care with cuts at the provincial level having an impact too. These cuts, while defensible from a fiscal policy point of view, took a terrible toll on the health-care system.

Now think of the incredible scientific and technological advances—like MRI scanners or gamma knife neurosurgery—that have emerged in recent years. These advances mean longer, healthier lives for people, but they are also very expensive. So we need to find ways to pay for them too.

So with the deficit dragon now slain and health-care needs rising every day, there could be no better time for Ottawa to invest in the future of health care. And end the uncertainty. The federal government can't continue to lump all the different transfer payments together and, with the wave of a wand, call it health-care funding. And it cannot keep pretending that the tax points it transferred to the provinces decades ago are actually federal funding for health care.

Our nation can afford to invest in the future of health care. Did you know that for the fiscal year just ended, the experts are forecasting a $10-billion budget surplus in Ottawa? And as best as anyone can tell, there won't be any new investment in health care. This is on the heels of the last budget—with no new investment in health care either. The politicians need to get off this merry-go-round—now.

Federal funding must keep pace with GDP growth and should be locked into the target of 50 per cent of provincial per-capita health spending for core services. Canadians need this investment so they can count on minimum national standards of access actually being met.

And to modernize health-care information technology and take action to deal with the underlying problems associated with the national shortage of health professionals an additional $2.5 billion is needed.

An investment of this scale obviously means working in genuine partnership with the provinces and territories. And on this point, I want to make one thing quite clear. When I say our politicians need to get off the merry-go-round, I mean the provinces too.

All of us should ask ourselves, what happened to the money our country set aside several years ago so the provinces could invest in health-care technology? No one really knows. This is unacceptable. And that's why the Canadian Health Commissioner will report on whether the provinces are holding up their end of the health-care bargain too.

Modernizing the Tax System

There is one more thing we can do to end the uncertainty over the rising costs of health care. Ottawa should reform the tax system so that it better supports the health priorities of Canadian families.

Why is it that if we choose to take care of our elderly parent in our own homes we are left out in the cold, but if our parent goes into an institution we can get financial help? Why aren't Canadians who care for a family member or friend who is very sick receiving a tax credit for their hard work and sacrifice? This example, and others like it, point the way to reform.

Are there tax incentives that might help families afford the cost of noninsured health care? We don't have all the answers, but I believe that tax reform has great potential to make immediate change for the better. And that is why a Blue Ribbon panel of Parliament should immediately be established to investigate and make concrete recommendations on reforming the federal tax system.

Conclusion

Before I leave you, let me say this. I read an article in the National Post a few weeks ago about a recent report on health reform. It said meaningful health reform is unlikely in Canada because ideas are not specific enough, there isn't likely to be funding and that health professionals are unwilling to compromise.

I was saddened to hear someone say yet again that we can't do it.

That there is no will...

That there is no money...

That there is no commitment to real change...

Can you imagine if this was the attitude of Canadians who built the railway.

Or how about the Canadians who fought in World Wars I and II.

Or the Canadians who built our modern dynamic nation with hard work and determination.

A Canadian Health Charter, a Canadian Health Commission and the other ideas I've talked about here today can help end the uncertainty that is keeping our country from taking its rightful role in this new century.

It's simple. A nation that cannot provide solutions to the problem its own citizens say is their biggest worry, is not the nation that Laurier envisioned or the nation that I want to leave to my children.

I'm not a politician; I'm just a doctor from Sherbrooke. But I've also seen the incredible and the impossible happen every day in my practice when we all work together.

Let's not settle for anything less than the very best.

Let's build on the many strengths of what we have, and restore Canada's place among nations as the envy of the world when it comes to health care.

Thank you.

The appreciation of the meeting was expressed by The Reverend Dr. John Niles, Rector, Victoria Park United Church and Director, The Empire Club of Canada.

Ann Curran, Director, Corporate Development International and President, The Empire Club of Canada, LCol. A. G. Sandy Cameron, CStJ, CD, AdeC, Senior Aide de Camp to the Lieutenant-Governor, Past Chairman, Good Neighbours' Club and Director, The Empire Club of Canada and The Hon. Margaret N. McCain, Former Lieutenant-Governor of New Brunswick, Co-Chair, "The Early Years" Report and Advocate for Children and Families.

June 18, 2002

A joint meeting of The Empire Club of Canada and The Canadian Club of Toronto

The Hon. Janet Ecker

Minister of Finance, Government of Ontario

THE ONTARIO BUDGET

Chairman: **Gordon K. McIvor**
President, The Canadian Club of Toronto

Head Table Guests

Geoffrey Mitchinson, Vice-President, Public Affairs, GlaxoSmithKline Inc.; Pat J. O'Brien, President, Ajax Pickering Board of Trade; Libby Burnham, QC, Morrison Brown Sosnovitch and Past President, The Canadian Club of Toronto; Ann Curran, President, Curran Corporate Advisors Inc. and President, The Empire Club of Canada; David Cameron, Executive Director, Canadian Diabetes Association—Ontario; Nancy L. Maxwell, Chair, Rouge Valley Health System Foundation; George Russell, President and Editor TIME Canada; Mike A. Wilson, Vice-President, Ontario PC Youth Association; Lieutenant Colonel Hugh Tilley, Ontario Government Relations Liaison Officer, The Salvation Army; and Duncan N.R. Jackman, Chairman and CEO, United Corporation and Director, The Empire Club of Canada.

Introduction by Gordon McIvor

I think it's only fitting in introducing Janet Ecker to begin with some numbers.

She is Ontario's 35th Minister of Finance.

The first, The Hon. Edmund B. Wood, who served from 1867 to 1871, was also able at the same time to hold a seat in the federal House of Commons in Ottawa. Nice work if you can get it!

Janet Ecker is also the province's second female Finance Minister, following Bette Stephenson who held the finance portfolio during the Frank Miller era in 1985. But Ms. Ecker is the first to actually deliver a budget. Today, five of Canada's 10 provincial finance ministers are women, up from zero a decade ago.

Janet Ecker has held more portfolios—Education, Community and Social Services and Government House Leader—than 90 per cent of her cabinet colleagues. And you'll notice that all of these positions put her squarely on the firing line, a line that became increasingly militant during the late '90s, and that today's speaker walked with considerable dexterity and calm.

She has learned to do this during her 20-year involvement with politics. In the '70s, following her journalism degree from the University of Western Ontario, she served as assistant press secretary to Premier Davis. She then became Policy Director for the Ontario College of Physicians and Surgeons, and worked as a communications consultant for a number of years.

Then in 1995, Ontario underwent a revolution. Its theme was common sense. Its leader was Mike Harris, and one of its most articulate advocates was the newly elected MPP for the riding of Pickering-Ajax-Uxbridge, who was re-elected in 1999.

Today, Janet Ecker holds the second most powerful financial and business portfolio in the land. Something tells me, she won't be making a run for the first! In her current role, she is of course responsible for developing and allocating the provincial budget. But she is also in charge of regulating Ontario's financial institutions, its SuperBuild investments, as well as the Ontario Electricity Financial Corporation.

During the past weeks, Ontario's Finance Minister has sent repeated signals that this would not be a good-times budget. As the Toronto Star noted: "Ecker was handed the unsavoury job of balancing the province's budget of $65 billion in the months after an economic downturn gripped the provincial economy for the first time since the Tories took office under former premier Mike Harris in 1995."

And as we saw yesterday in her first budget to the people of Ontario, she has managed to turn the unsavoury into the possible. We are honoured that the Minister has chosen this joint meeting of The Canadian Club of Toronto and The Empire Club of Canada to comment on her first budget.

Please join me in welcoming The Hon. Janet Ecker.

Janet Ecker

Thank you very much for that warm welcome and Gord for your kind introduction. Just so the media don't think they have a new headline today, I am not running for any leaderships, any other seats, any other levels of government. I have my hands full with the current job that I have today. I'd like to provide a special welcome (I know Gord mentioned them) to the grade eight students from St. Gabriel's Catholic School in Toronto. I think it is one of the wonderful things the clubs do—to have young people come and listen to so many interesting people at this podium—so I give them a special welcome.

I would also like to thank Lieutenant Colonel Hugh Tilley for the words of prayer. I don't know how much interest the dear Lord takes in finance ministers or in their preparations for their budgets, but I do know as I was contemplating the economic circumstances of the province, the miracle of Christ and the loaves and fishes did come to mind. For those of you who know your bible stories you will know what I mean.

Yesterday, I had the privilege of delivering my first budget as Ontario's Finance Minister and since we are here with clubs that represent such history I will, and I did yesterday in the House, go back a few years to the first Ontario treasurer who came from Exeter—The Hon. Charles McNaughton—who 35 years ago described the challenge that faces all of us who occupy this position. In preparing a budget, he said: "We tread the slender tightrope between the reasonable expectations of our people for government services and a constant awareness of the burdens on the taxpayer." And after 65 days on the job, the second provincial treasurer to come from Exeter has gained the keen appreciation for the meaning of those words.

Now we all know that a lot has changed in Ontario since 1967, but the essential task of preparing a budget remains very much the same. It requires a very delicate ability to create a balance between the needs of our people, the services they want, the costs that have to be covered, the ability of our economy and our taxpayers to pay for those costs, and the steps that government can take to invest in growth and prosperity. That is a very delicate balance indeed, more so this year.

But budgets are also about values and choices. And, as I learned growing up in Exeter, values come from families and communities, from the people who live those values with quiet strength and perseverance. Values such as setting personal goals and working hard to achieve them. Pursuing education as the key to opportunity. Respecting the rights of others while accepting our own responsibilities. Valuing and protecting our natural heritage and our environments. And standing up for what is right. Answering the call of your community through public service, volunteerism, personal commitment and sharing the fruits of your own success with those who need help. These are the values that built this province. These are the values that made this province strong and these are the same values that motivated our government when we promised to return Ontario to prosperity in 1995. Those are the same values that motivate us still.

While our predecessors preferred to carve up a shrinking pie into ever smaller pieces the Common Sense Revolution chose to make the pie bigger by placing this province on the path to increased growth. We've kept that promise by cutting taxes to create jobs (893,000 jobs in the past seven years; 200 tax cuts—$11 billion of tax relief to our hard-working citizens), removing barriers to growth by balancing the budget and paying down debt, now up to $4.2 billion. We are paying down debt in this province, the first government to be able to do so, by helping 600,000 people exchange a welfare cheque for a pay cheque. We are strengthening our universally accessible health-care system, making significant infrastructure investments for the future, and for me, most importantly, setting higher standards in education to equip our students with the knowledge and the skills that they need for success in a global economy.

After seven years, I believe that the evidence is clear. Because we put the right fundamentals in place, our plan for prosperity is working. The numbers that chart our progress I think are impressive, but probably what are more important are the real improvements in people's everyday lives. The young family buying its first home. The recent graduate getting a great job. Businesses expanding, creating new jobs at home and competing successfully in foreign markets. The opportunities that people have today that didn't exist in 1995. That was the vision of the Common Sense Revolution, that Ontario could become the best place to live, to work, and to raise a family. And while we've accomplished much, there is clearly much more we need to do. And that's why we're sticking with the fundamentals of the plan that we've laid out. And yesterday's budget talked about how we propose to do that under the leadership of Premier Eves.

First of all, we did face some very, very difficult choices this year. Based on the situation we had and based on our principles, we made what I believe are some prudent and pragmatic choices. A balanced budget for this year, the fourth in a row. New investments where people wanted to see investments—health care, education, environment, and infrastructure for the future—and we are continuing with a tax-cut agenda.

I'd like to just say a few words about the economic challenge that faced us, because, as many of you may know who are in business or in the export-import business, our economy is open and trade-oriented. The global economy and what happened in 2001 has to be our starting point because we are so trade-oriented. The economic slow-down in the United States, which was significantly compounded by the effects of the unanticipated events of

September 11, cut Ontario's exports and corporate profits significantly last year. The result was that after four consecutive years of annual real growth exceeding 5 per cent Ontario grew by just 1 per cent in 2001.

For the current year the effects of last year's slowdown are still with us and, while all the economic signs are pointing in the right direction, our corporation tax revenues are still down and personal income tax revenues are forecast to decline slightly this year. So our challenge was to develop a balanced fiscal plan in the face of little revenue growth and growing program needs.

There were several steps that we took.

First was a continued commitment to tax cuts as the principal driver of growth and prosperity. While we will delay some of our tax cuts for one year, we will continue the ones that were scheduled for this fiscal year, we will continue the reduction for small business, the best job generator in our economy, and also expand tax relief for our modest-income Ontarians. And tax reductions will continue in the future.

Secondly we took steps towards more efficient, effective, and affordable government. They are not the kinds of steps that often make the headlines, but things such as zero-based budgeting and having our ministries plan to review every program on a four-year cycle, to do value for money audits, to have the accrual basis of accounting so that we actually start to account for government revenues and expenditures much like you in business do are long overdue steps. We plan to move towards more multi-year budgeting and funding for our partners so that they can have a little more stability and the ability to plan for the future. These steps are not the stuff of headlines, but they do represent our government's profound respect for transparency and taxpayers' dollars.

We are also taking action to get better results for taxpayers from our major public assets. After recent consultations, the control, as the premier announced earlier, of Hydro One will remain in public hands while we seek the best way to bring in much-needed private-sector discipline and new investment to upgrade our electricity distribution and transmission infrastructure.

And fourth we will continue to invest in those priorities that respond to people's needs and encourage growth, jobs, prosperity, beginning with health care.

Ontarians, like all Canadians, believe that a universally accessible health-care system is central to our quality of life. It is a key part of why people like to live and work and raise a family here. Health-care operating spending this year will increase by an additional $1.7 billion—up 7 per cent over last year—and this responds directly to what people told us needed to be done in the system. That's why the new investments will go to better access to diagnostic services like MRI machines and CT scanners, improved cardiac and dialysis services, expanded and upgraded emergency rooms, long-term care beds, doubling the number of nurse-practitioners and expanding the number of spots in medical school for doctors. In the coming year, hospital funding will rise by 7 per cent to $9.4 billion and health-capital investments will increase by almost 70 per cent over last year. We're also making major new investments in cancer care—in research, new therapies, treatment techniques and the modernization and upgrading of cancer radiation equipment.

But we know and we've said many times publicly that this kind of increased investment, those steps that all of the provinces are taking to try and strengthen, improve and sustain our important health-care system, cannot happen without increased support from the federal government. And so we continue to ask Ottawa to pay its fair share of our growing health costs.

For those of you again who are students of history, when our health-care system began with the medicare program in our country, it was a 50-50 partnership. And today, the federal contribution is 14 per cent, not 50. If we're going to continue to move forward with sustaining our health-care programs, we need Ottawa at the side of the provinces, with the provinces, not only financially, but also in terms of the need for reform. As the social service minister, I had the privilege of co-chairing the federal-provincial table with Pierre Pettigrew who was my federal counterpart. When federal and provincial governments got together and decided that the priority of the country was to put money in the hands of low-income families with children to keep them off welfare, we created a new social program called the National Child Benefit. If all of those governments, with all of those different interests and all of those different political stripes could sit down at a table and do that, this country can fix our health-care system in the future. So our government remains committed to working with the federal government, other provinces and our health partners to meet that challenge because you deserve nothing less.

The second key priority is education. Excellence in education is the key to ensuring that every young person in Ontario has an equal opportunity, equal access to opportunity to succeed. A quality education and life-long learning are the most fundamental building blocks, not only for our future quality of life as we teach our young people how to be successful citizens, but also for our future economic prosperity as we teach our young people how to succeed in a challenging global economy. We made significant changes in education because we heard the message that we needed to do better. We brought in a new more rigorous curriculum, province-wide tests to make sure that our students were learning that curriculum, and improvement strategies that actually respond to those test results such as the early reading strategy which raises the literacy skills of our students in those crucial early grades. We also required our elementary schools to start setting improvement targets, to sit down with their teachers and the parents and the community to work together to improve the student achievement in their schools. They're starting to set those targets. We also set comprehensive standards for teachers' ongoing professional development and performance appraisal in the classroom. This plan is working because with student achievement we are starting to see real tangible improvements and how well our students are doing both nationally and internationally. And so we need to continue to build on those successes.

Yesterday, I announced several initiatives and the premier and my colleague, Minister Witmer, have announced some previously, but all of those investments add up to $500 million for our schools. We chose to invest those monies in programs to improve student learning, in programs that will help make our students safer in bus transportation and in older schools. Many of you may know that we have some very, very old schools across the province that are in serious need of repair.

In addition to the increase of $350 million in student-focused funding recently announced by my colleague, Elizabeth Witmer, I'll just go through the highlights of the budget yesterday.

It was the creation of a $20-million student achievement fund, which will recognize those schools that are achieving the improvement targets they are setting in grade-three reading, by providing to every elementary principal whose school meets or exceeds its student literacy goals in grade three, $5,000 that they and the student council can continue to invest in improved learning in their school. While we know that we have many excellent teachers in our province, and one of the things I miss about being Finance Minister as opposed to Education Minister is that I don't get to meet on a daily basis so many committed and dedicated professionals working for our kids, we also recognize that higher standards and continued investments in teacher training also improves student learning so this budget puts forward resources to do that. Learning resources for teachers and principals, resources to help teachers develop new strategies for early reading and early math, more money for the renewal of school facilities and for bus transportation for safety. We've also invested in helping get special-needs students off the assessment waiting lists and to upgrade our provincial schools for those students with disabilities.

Those are important priorities at the elementary and secondary levels but we can't forget post-secondary education because if we want to compete in the knowledge-based economy post-secondary education is central to doing that successfully. Because of the double cohort of two graduating high school classes and the increased participation generally as more people recognize the need for lifelong learning, we've seen a significant increase in enrolment and we have started to respond to that with an investment of over a billion dollars to create 73,000 new student spaces in our colleges and universities. And they promise to create another 36,000 through operating improvements.

But we knew we needed to do more to make sure that there was a spot for every willing and qualified Ontario student here in one of our excellent colleges or universities. And so the budget increased the previous multi-year commitment that we had made to colleges and universities. We were trying to give them a three-year commitment so that they could plan a little better for the future. Through SuperBuild we are going to be having new proposals, accepting new proposals for further expansions and we also targeted additional resources for the North and rural colleges and universities.

The third investment priority is the environment, more specifically safe drinking water. We're committed to ensuring that no Ontario community ever has to face what Walkerton faced, by bringing in the toughest policies we can for safe clean drinking water and spending what it takes to make sure that every time you and I turn on a tap we can have confidence that it is safe. We did take immediate steps after Walkerton to improve water safety but Justice Dennis O'Connors in the two reports he has just released, provides a very clear road map to safety and we've pledged to follow it. We've also increased the number of inspectors who can go out and make sure that the tough new rules are being followed. Justice O'Connor said that his recommendations might cost up to about $280 million with ongoing costs of about $50 million. And yesterday's budget committed us to an investment over the next two years of half a billion dollars to start this process by investing to help municipalities upgrade their water systems to meet the tough new standards and to make improvements in their waste-water systems. We also have, as you know, legislation to make sure we are protecting the sources of our water system such as the Oak Ridges Morrain. We want to take, and will continue to take, more steps to do that.

The fourth investment priority in this budget had to do with infrastructure because that is very important not only for the economy but for quality of life, whether it is highways, transit, water systems or community facilities. That's why we created SuperBuild in the first place. With our partners—our federal partner, municipal partners and private-sector partners—we will be investing at least $20 billion over the next five years. Actually it started a few years ago and will be done by the year 2004 to make sure that we can have that infrastructure in place. We are on target to meet that. And that includes the billion-dollar investment on highways and the 10-year $9-billion transit investment plan and those are important supports for our economic infrastructure.

Part of infrastructure is also helping our economy in research and innovation. That's why we have chosen to expand the Research and Development Challenge Fund and support its work of promoting research excellence and partnership between industry and Ontario's research economy. We've expanded funding for the Ontario Innovation Trust to help our universities, community colleges, hospitals and research institutions develop the infrastructure needed for good scientific research and technology development. We've renewed our commitment to the Ontario Centres of Excellence program. All of these things help the private sector, our academic community and the scientific research community to do a better job at research.

We also recognize that our municipal partners are very much part of our economic growth and we have taken a number of steps to support them through a new municipal act and investments as I mentioned to help meet new standards for the new drinking water protection regulations. I look forward to continuing to work with our municipal partners as we move forward.

As we look ahead it is clear that Ontario will continue to be Canada's engine of prosperity and virtually all the economic indicators are improving. As a result, private-sector forecasters expect real economic growth to exceed 3 per cent this year and to be more than 4 per cent next year. As it did over the 1996–2000 period, Ontario's dynamic economy will once again register growth exceeding that of the G-7 nations over the next two years.

The challenges we successfully faced over the past year would have been much worse without the earlier growth in jobs and prosperity resulting from the steps that our government had taken, and without that stimulus to consumers and investors we provided through prudent management, balanced budgets, tax cuts, and support for innovation and excellence. I know that there are some who are arguing that there is little we can do to influence the global economic forces that buffet our province but I disagree.

The plan we laid out in 1995 has helped Ontario weather this challenging economic storm and all we have to do is compare it with the last recession of the early

'90s. Ontario was the first into that economic hole. We went down the deepest and we were the last out with an $11-billion deficit. We were spending a million dollars more an hour back then than we were taking in adding that debt to our children's future.

Coming out of this downturn our citizens are benefiting from $11 billion in tax relief—ongoing tax relief that is in the economy improving their take-home pay. Our prudent fiscal management has kept the budget balanced and our resources are focused on the priorities of our peoples—health care, education and a clean safe environment.

I believe our government is putting in place the right fundamentals for growth and prosperity as we promised we would and I'm confident that the skills, the creativity, the courage and the hard work of Ontarians will do the rest.

Thank you very much for the opportunity to share that with you today.

The appreciation of the meeting was expressed by Ann Curran, President, Curran Corporate Advisors Inc. and President, The Empire Club of Canada.

Distinguished head table guests, ladies and gentlemen. Over the years it has become a tradition for Ontario finance ministers to make their first post-budget speech at a combined luncheon of the Canadian and Empire Clubs. Today is a wonderful turning point as it is the first time the minister's "new shoes" have heels!

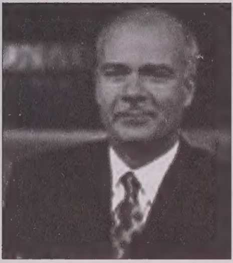
Minister Ecker, thank you for taking the time to walk us through the budget and discuss various aspects of it.

As our economy and that of our largest trading partner recovers from a rough and uncertain year, you have managed to deliver Ontario's fourth consecutive balanced budget.

You have had to make some tough decisions but by focusing on the priorities of health care, education and a clean and safe environment, your government has listened to the people of Ontario and are striving to provide the services that are most important to them.

Minister Ecker, every year the Empire Club Foundation publishes a book of that year's speeches. We would like to present you with a copy of last year's book as a token of our appreciation, noting that your address will be in this year's edition.

Thank you



June 20, 2002

A joint meeting of The Empire Club of Canada and The Royal Commonwealth Society, Toronto Branch

Peter Mansbridge

Chief Correspondent, CBC Television News, Anchor, "The National," and Host, "Mansbridge: One On One"

CANADA AND THE FUTURE

Chairman: **The Reverend Canon Ebert Hobbs**, CD,
Chair, The Royal Commonwealth Society,
Toronto Branch

Head Table Guests

Michael Frederiksen, MA, MEd, Vice-Principal, Toronto School Board and Vice-Chairman, The Royal Commonwealth Society, Toronto Branch; Stephanie Dixon, Student, Mayfield Secondary School; The Rev. Dr. Laurence Barber, Area Minister, Toronto Association of Baptist Churches; Derek Burrow, Student, MacLachlan College, Oakville and Class A Winner, 2002 RCS Essay Competition; Molly Killingbeck, Athlete Services Manager, Canadian Sport Centre, Ontario, Coach, Canadian Sprint/Relay Team, 2002 Commonwealth Games in Manchester, England and one of Canada's most successful athletic competitors; Daniel Minchen, Director, Public Affairs and Corporate Relations, Xerox Canada Ltd.; MGen Bruce J. Legge, CMM, CM, KSt.J, ED, CD, QC, Honorary Life Chairman, The Royal Commonwealth Society, Partner, Legge & Legge and Past President, The Empire Club of Canada; Larry Stout, Business Anchor, CTV News Net at The Toronto Stock Exchange and Honorary Director, The Empire Club Of Canada; Travino Betty, Project Manager, Retail Advertising, Sears Canada and Silver Medal Winner, 1998 Commonwealth Games; Ann Curran; President, The

Empire Club of Canada and President, Curran Corporate Advisors Inc.; The Hon. Sinclair Stevens, PC, QC, Chairman, Georgian Bancorp Inc. and President, Royal Commonwealth Society Foundation; and Farsad Kiani, President, Ensil International.

Introduction by Ebert Hobbs

It is my pleasure to introduce our guest speaker.

It is like introducing someone we all know and who has been in our living rooms almost on a daily basis.

He brings us news and information and through his insightful interviews helps us to understand what is behind the daily activities and decisions of those in power.

He is also a person who may begin his day in England and end it by bringing us news and information the same night.

Peter Mansbridge, as you know, is the Chief Correspondent of CBC Television News and anchor of CBC's "The National." He covers CBC News Specials and is the host of "Mansbridge: One on One" that airs on CBC Newsworld. He was discovered in Churchill, Manitoba in 1968 as he was making airport public address announcements. He later helped to develop the CBC Radio's News Service in Northern Canada.

He has received many awards including the Gemini for Best Anchor six times, the Gemini for Best Overall Broadcast Journalist, the prestigious Gordon Sinclair award on two occasions and has been given several other honours in the United States and England, including the gold medal for Best News Anchor at the 2000 New York Festival, in a competition of television networks around the world.

As a person who has elected to stay in Canada even though he has been offered more lucrative positions elsewhere and one who recognizes the power and the unifying influence the media has on a nation, we believe that Peter Mansbridge is the perfect guest speaker at this joint Canada Day Luncheon of our two organizations—The Royal Commonwealth Society, Toronto Branch and The Empire Club of Canada.

Ladies and gentlemen, will you please join me in welcoming Mr. Peter Mansbridge.

Peter Mansbridge

Let me start by thanking The Empire Club of Canada and The Royal Commonwealth Society for their invitation today. It's an honour for me to speak here—to share some of my thoughts on this your annual Canada Day luncheon.

I want to speak today about Canada and why we should feel confident about the future.

As you know a lot of people weren't confident about the future last fall. This country, this continent, in fact most of the world was shaken by the events of last September. They affected us all and made us worried and concerned about the future. Some of us still are.

It is almost impossible for me to appear at an engagement these days and not be asked about September 11. And while I intend to talk mostly about Canada and the future it's not very difficult to link the two themes.

Let me begin by reading you part of a passage from a magazine. It starts this way: "Calamity, awful and complete, overwhelmed a modern city in one searing instant. Thousands of people died terrible deaths. It was more sudden, more spectacular and far more dreadful than the San Francisco Earthquake or the Chicago Fire." That sounds like a vivid description of New York City on September 11, 2001. But it is not.

It is a description of Halifax on December 6, 1917. It is from Maclean's magazine. It is a description of the Halifax Explosion. Two ships collided in the harbour that day—one of them loaded with tons of explosives—ammunition meant for the front line of the First World War.

The New York disaster was, of course, a work of treachery beyond human understanding. Halifax was an accident—caused by a ship turning the wrong way. But there are some remarkable similarities.

In New York, the planes hit and then a mad evacuation began—a frantic race to get out of the towers before they imploded. In Halifax, the ships hit—and again there was time to run. The ammunition ship didn't explode for 22 minutes. But just as in New York, there were heroes running towards the trouble—not away from it.

The people of Halifax saw a horse-drawn fire engine moving toward pier 8 that morning. No particle of those firemen or their horses was ever seen again. A horse collar—stamped with the letters HFD—was later found on the roof of a building three kilometres away. The fire chief of Halifax and his deputy chief were killed when the explosion lifted their car from the road and then smashed it back down.

I wonder why so few of us remember anything about the heroes of December 6, 1917. Vincent Coleman for example. Does anyone in this room know about him? Do any Canadian school children know about him? He was a telegraph operator in Halifax on December 6, 1917. He saw the ammunition ship "Mont Blanc" drifting toward the shore. He saw flames leaping out from its hull. And he knew what it meant.

But instead of trying to save himself, he began tapping out a message. "Ammunition ship is on fire and is making for pier eight." Those were the first words that reached the outside world of the impending disaster. They may have caused the first stirrings of the rescue effort. And if you doubt that Vincent Coleman understood the consequences of tapping out those words instead of getting away, you can erase those doubts. The last words he transmitted make it clear that he understood, the words "good bye." No one ever saw Vincent Coleman on this earth ever again.

His story and the Halifax Explosion story as a whole tell us a lot about our country. Because we don't know about them, we often fail to honour our past, which diminishes our regard for the present, and could cripple our ability to be confident about the future.

I want to get to that future in a minute. But first I'd like to take you back to the 20th century. Some would argue that for Canada, the 20th century began in 1896. That's when Wilfrid Laurier was elected prime minister. And it seemed to herald the end of a difficult economic period and the start of a new prosperous period. It was, of course, Laurier, who uttered the prediction that has haunted us as Canadians for 100 years. "The twentieth century," he said, "would belong to Canada."

The general consensus is that he was wrong. The century did not belong to us. And because we did not live up to Laurier's vision, some reach the conclusion that the last 100 years added up to a failed century. But I wonder if our peculiar Canadian habit of seeing only the downside of things has clouded the picture. Because I don't think it was a failed century.

Imagine for a moment that this isn't June of 2002. Imagine that it is June of 1902—exactly 100 years ago. You'd be living in a country of fewer than six million people. The West, virtually uninhabited; Newfoundland, another country.

But you wouldn't be pessimistic. You'd have to be feeling that you were living in an age of wonder, a world of wonder, when so much was possible. Canada's first overseas war had just ended. The treaty to end the Boer War was signed in May. There is nothing happy about war of course, but the end meant the boys were coming home. There was a gold rush in the Klondike. A man named Marconi transmitted telegraphic radio messages across an ocean—from England to Newfoundland. Gauguin created "Riders on the Beach." Arthur Conan Doyle published "The Hound of the Baskervilles." Joseph Conrad took the world to the "Heart of Darkness."

Things were so progressive, so ultra-modern that the head of the U.S. Patent Office, a man named Charles Duell, was moved to observe that, "Everything that can be invented, has been invented."

He was wrong. Within a decade Canadians would hear about two brothers named Orville and Wilbur fulfilling the dreams of the ancients by building a machine to allow humans to fly. A man named Frederick Walker Baldwin would become the first Canadian to fly an aircraft.

Someone would complete the first crossing of North America by car in just 65 days. If you were really on the cutting edge, you could write your thoughts on paper using a brand new invention—the fountain pen.

Look at us 100 years later. Not radio messages across an ocean, but pictures and sound, instantly, around the world. Not a few metres off the ground for a few seconds, but constructing superstructures in space, conquerors of the moon and dreaming of Mars. Not 65 days to drive across a continent in an unreliable automobile, but the common car that has given us individual freedom of movement unheard of by our grandparents. Not a leaky fountain pen, but modern computers that let us send word to, and receive words from, anywhere on the planet.

We are vastly better off in material goods, in creature comforts and in the tools that allow us to explore our humanity. But what about that humanity? What kind of people are we Canadians in 2002?

Well, not too long ago, a beer commercial seemed to strike a certain chord among us. Joe Canadian going on a rant about what a terrific people we are, but able to do it only by comparing us to Americans—and by railing against their stereotypes of us. We aren't all loggers. We don't eat blubber. We're good at hockey.

Now I don't want to take this too far. I suppose the commercial was funny and maybe that's all there is to it. But the Minister of Heritage took it to a conference in Boston. And Canadians from coast to coast seemed to think it had really hit the nail on the head.

I think in some ways it was more sad than funny. Can you imagine a U.S. beer commercial making a big deal about not all Americans wearing 10-gallon hats, not all Americans singing Yankee Doodle and they're all really good at baseball.

Of course not. They'd be talking about their heroes. Their legends. Their heritage.

We should do that too. For example, 100 years ago Canada was molding some remarkable men and women.

There was Emily Murphy. Thirty-four years old. Proving herself over and over until she would become the first female judge in Canada and the entire British Empire.

Maude Abbott. Thirty-three years old. Studying and researching until she would be recognized as a world authority on congenital heart disease.

Clarence Hincks. Seventeen years old. One day he would visit what they called a "home for the incurable," a place of horrors for the mentally ill. He would be so appalled at what he saw, that he would create the Canadian Mental Health Association, dedicated to training doctors and promoting education on mental health issues.

Agnes Macphail. A 12 year old. She would become the first female Member of Parliament. And she would do that by overcoming some determined resistance. She would be heckled without mercy, but she would keep her wits about her and win most battles. At one rally, a heckler shouted, "Don't you ever wish you were a man?" and Agnes Macphail looked at him and said, "Yes, don't you?"

There was an eleven year old named Fred Banting living on a farm in Ontario with his parents and five older brothers and sisters. He would grow up to make one of the most important discoveries in medical history—insulin—which saved literally millions of lives.

And a five-year-old toddler in 1902. His name Lester Pearson. He'd grow up to win a Nobel Peace prize and become Prime Minister.

Not one of them—not one—contributed to a failed century.

In the last decade of the last century I had the distinct honour of covering the 50th anniversary of D-Day, and the 50th anniversary of VE Day. We did the D-Day anniversary from France. VE Day from Holland. On each occasion, I walked through cemeteries where Canadian soldiers are buried. Row after row after row. And I felt as if I owed it to each person buried there to read the inscription on their tombstone.

But after a while it became too difficult. Every tombstone had an elementary mathematical calculation staring at you. Subtract the year of birth from the year of death. Inevitably the answer was far too small. Sixteen. Seventeen. Eighteen. Nineteen. Sometimes a little higher. You cannot help but choke with emotion.

I was as happy as the next person a couple of months ago when our hockey teams won gold at the Winter Olympics. But I find it a bit uncomfortable when we as Canadians choose the word "hero" to describe those players. If they are heroes for playing a game with a maple leaf on their sweaters, then what word can we reserve for those who lie in foreign cemeteries with a maple leaf on their headstones?

An American who anchors a nightly newscast, Tom Brokaw of NBC, wrote a book about Americans of the World-War-Two era. It's called "The Greatest Generation." There's one story that I find particularly poignant. It's the year after the war, and a veteran comes into the post office run by Tom's mother.

They get around to chatting about teenagers and the veteran has some observations about their rowdiness. Tom's mother says, "C'mon now. What were you doing at seventeen?"

And the veteran says, "I was landing at Guadalcanal."

Thousands of Canadians could answer with similar sentiments. Some of them are in this room right now. They landed at Hong Kong. And Moro. And Normandy. And Apeldoorn.

Not one of them—not one—contributed to a failed century.

So in these new days of a new century, we must recognize the shining examples of our past and then build on our success. This country is nurturing a new generation of innovators, humanitarians, even politicians who will make us better. To believe otherwise is to ignore what we have accomplished—and to surrender to a pessimism unworthy of a great nation.

My job and your job is to help the future arrive. We must recognize good ideas, give them room to grow and the encouragement and the support to grow as well.

Not everyone can find the cure for cancer.

Not everyone can invent the rocket that will take us to Mars and beyond.

Not everyone will build a shelter for orphans in Africa.

Not everyone can develop a safer car.

But some Canadians can. And it is your job, and it is my job, to encourage them.

It is no sin to be what most of us are. Decent, hard-working, tax-paying Canadians. The sin is in believing that that is enough. That if you look after yourself, and your family, you have made your contribution.

I don't think it is enough. We can give more. We owe it to the society that produced us. I think we have to remain open to the greatness of others. To encourage and promote risk-taking. To recognize a person who has an idea that has potential—however slim. To be positive about our shared future—not negative or cynical.

After what happened on September 11, many of us have found it difficult to look ahead with optimism.

But we should look ahead with confidence. That is what human beings were meant to do. We were meant to have courage, and determination, and spirit. We were meant to teach our children that life is good. And we were meant to teach them that they can make it better.

Robertson Davies once said that Canada is not a country you love. It's a country you worry about. He was right.

I certainly worry about it. I worry that we may become a timid people. I worry that so many of us are unaware of the greatness of our past, that we may be doomed to believe that we cannot be great in the future.

And I know how sad that would be. We have a country that has taken giant steps in the last 100 years. We have a country overflowing in riches. We have a country with no obvious enemies. It's likely that Canada can be destroyed only by the most unlikely of sources. By Canadians.

But I don't believe it will happen. I take heart in the fact that Canadians have always risen to the challenge. And I'm sure we won't disappoint those who have walked here before us.

In another 11 days it will be Canada Day. Let's remember our past, celebrate our present, and be confident about the future.

Thank you.

The appreciation of the meeting was expressed by Ann Curran, President, The Empire Club of Canada and President, Curran Corporate Advisors Inc.

Distinguished guests, ladies and gentlemen, there is an interesting parallel between the Commonwealth Essay Competition and our speaker today.

The essay competition inspires thousands of young writers each year. It motivates and stimulates them to think about local and global issues and achieve high academic standards.

Mr. Mansbridge, your speech today was also very inspiring, motivating us and all our television viewers to think about local and global issues and achieve high journalistic standards. Thank you for sharing your views and helping us celebrate our Canada Day Luncheon.

Mr. Mansbridge, every year The Empire Club Foundation publishes a book of that year's speeches. We would like you to accept a copy of a book from a previous year as a token of our appreciation, noting that your address will be in this year's issue.

September 19, 2002

Michael H. McCain

President and CEO, Maple Leaf Foods Inc.

FOOD FOR THOUGHT

Chairman: **John C. Koopman**
President-Elect, The Empire Club of Canada

Head Table Guests

Heather C. Devine, Lawyer, Fasken Martineau DuMoulin LLP and Director, The Empire Club of Canada; Kathryn Bradley, Grade 12 History and Economics Student, North Toronto Collegiate Institute; Grant Kerr, Associate Minister, St. Paul's United Church, Brampton; Brian Gibson, Senior Vice-President, Active Equities, Ontario Teachers' Pension Plan Board; The Hon. Margaret Norrie McCain, Former Lieutenant-Governor for the Province of New Brunswick; Doug Morris, President, Morris Glass Inc. and Director, The Empire Club of Canada; Don Taylor, Assistant Deputy Minister, Ministry of Agriculture and Food, Province of Ontario; and Charles S. Coffey, Executive Vice-President, Government and Community Affairs, RBC Financial Group and Director, The Empire Club of Canada.

Introduction by John Koopman

The history of mankind is the history of the lack of food. For the vast majority of mankind's half-billion odd years on this planet, most of his time was spent scrounging hungrily for his next meal.

In April 1918 Senator Everett Colby addressed this club, reporting on his recent visit to Vimy Ridge. He spoke of the heroic efforts of the thousands of our Canadian soldiers who died on that ridge, but the focus of his address was the growing food crisis on the continent. He exhorted Canadians to strictly ration their food consumption or we would see starving people in France.

As late as February 1946, just after the end of the Second Great War, The Hon. James Gardiner, the Dominion Minister of Agriculture, addressed this club and his concern again was the shortage of food in the world. He said: "The great wars of the past have been caused by men finding themselves unable to feed their families." Forms of government have been responsible for taking the final act, but all the great migrations have been from thickly populated areas to less densely populated areas, and usually eventually brought war."

Happily, within a decade of the Honourable Minister's speech, the green revolution had relegated the Malthusian mathematics to history's scrap heap of discarded theory.

Subsequent decades of Empire Club speeches are bereft of talk of shortages but focus rather on the price of food. Many of you will know the old English ditty:

Oranges and lemons
Say the bells of St. Clements.
When will you pay me?
Say the bells of Old Bailey.
When I grow rich,
Say the bells of Shoreditch.

Typical of speeches of this era is Beryl Plumptre's address to this club when she was the Chairman of the Canadian Food Prices Review Board. She acknowledges the copious supply of food in Canada but bewails its high price. Like King Canute of old, the government of the day believed the tide of rising food costs could be rolled back by the Food Prices Review Board.

Yet by the eighth decade of the last century even price ceased to be a major political issue. In Canada the President of Dominion Stores, at the time the country's largest grocer, told this club that the average Canadian family spent less than 14 per cent of its disposable income on food. That percentage has probably declined since.

In contemporary Canada, neither the supply nor the price of food are burning political issues. We now face the next frontier, an issue our forefathers would have thought quite luxurious: food safety.

Food safety is now front-page news whether it is as local as our recent hepatitis scare or as distant as Africa where the Zambian government is preventing critical American food from being distributed to the hungry because the corn is genetically modified.

Mr. McCain is the scion of a Florenceville New Brunswick family that you might have heard of. He is an MBA graduate from the Ivey School in London, and former President of McCain Citrus and McCain USA. Currently Mr. McCain is the President and Chief Executive Officer of Maple Leaf Foods, which is Canada's largest food-processing company. Who better to talk to this club about food safety than Michael McCain?

Ladies and gentlemen please join me in welcoming Mr. Michael McCain to the podium of The Empire Club of Canada.

Michael McCain

George Bernard Shaw once said that the most sincere love of all is the love of food.

I would certainly say that was true for myself with caveats—I can't cook, except for a plate of pancakes I might whip up for my kids on a weekend, and my taste buds are not that well refined. So my love of food is in fact a passion for the food industry—an industry that fuels the human condition each and every day.

I've grown up in this business. I got my start in potatoes and over the years moved to citrus products and value-added frozen foods, followed more recently by pork and poultry processing, pasta and bread. I guess you could say I'm a meat and carbohydrates kind of guy!

I'm here today to talk to you about the Canadian agribusiness industry, some of the challenges we face and, most importantly, the opportunities that are within our reach.

But first, I am reminded of what Ray Kroc, Founder of McDonald's Restaurants, said once: It requires a certain kind of mind to see beauty in a hamburger bun. Yet, is it any more unusual to find grace in the texture and softly curved silhouette of a bun than to reflect lovingly on the arrangement of textures and colours in a butterfly's wing?

Obviously beauty is in the eye of the beholder. My challenge here today is to elevate that which is terribly interesting and of the utmost urgency to me and others in our industry to levels that you may find intriguing.

Agriculture and food processing don't necessarily always elicit this type of curiosity, but I will give it a shot. I would like to establish the following propositions for you all to consider:

- That agriculture is fundamental to the Canadian economy;
- That Canadian agribusiness is globally competitive; we have advantages and we should use them to fuel growth; and,
- That consumers care about food safety today more than anything and Canada is doing a good job; if we could figure out how to do a great job in this field, we could be world leaders taking advantage of this growth.

Canada's Leading Industry

Generally speaking, the scope and scale of Canadian agribusiness and the enormous impact it has on our economy is not well known. In fact, agribusiness in total is critically important; indeed it is an economic powerhouse.

The agriculture and agri-food industry is the third-largest employer in the country and contributes 8.3 per cent of the annual Gross Domestic Product. It accounts for approximately 6.1 per cent of total exports and is a growing contributor to Canada's positive trade balance. Canada's agri-food industry has increased its exports by 115 per cent over the last decade, with one half of all Canadian farm sales resulting from trade we do outside our borders.

More importantly, we have a broad base of economic and structural competitive advantages over other large global agri-food countries that can be the source of even greater future opportunity.

We know that global demand for food is increasing. We also know that the world's capacity to meet this demand is shrinking. Canada is uniquely positioned to respond to this challenge, take a global leadership role and reap the benefits of that leadership well into the future.

We are blessed with abundant land to grow crops and raise livestock. Our latitude offers cold winters to kill bacteria. Our geography isolates us from many diseases, while providing ready access to international ports. We also share a very long border with one of the largest consumer markets in the world. We have excellent research facilities and a highly skilled work force. And we have a strong, centralized regulatory system for food production that is one of the best in the world. Simply put, Canada is a great place to produce safe, wholesome food for the world, and we're very good at it.

All of this adds up to a tremendous value proposition. How do we pull together to leverage our strengths, develop strong public-private partnerships and build a unified position and identity for Canadian food products worldwide? How do we turn this opportunity into reality, and what will be our key competitive advantage?

Consumers Want Confidence

To answer this, it is imperative to understand the emerging attitudes of consumers. In the world of Maple Leaf Foods, our marketers are constantly in touch with consumer insights and feedback on how they feel about food and food products, through ongoing research vehicles. Here is what they are telling us.

First, consumers today constantly want new things. They want solutions to meal problems, they want convenience, and they want to add just enough time and energy to the process so they still feel the validation of having done something good for their family. Marketers now have a term for meals eaten on the go—dashboard dining—and for good reason. More and more of our meals are eaten on the go, and the number is rising.

Since 1990 the number of breakfasts consumed away from the home has increased 75 per cent. Canadians now enjoy “desk-fast” in lieu of “break-fast.” Fifty per cent of all restaurant meals are now take-out or drive-through. Anyone who does the regular QEW or 401 commute or has children in sports will know what I mean.

While roasting a chicken was second nature to our grandmothers, many modern consumers are intimidated by the challenge or just plain don’t have the time or interest. Cooking skills may soon become an art form lost to the professionals. Here’s an interesting statistic. Eighteen per cent of consumers now consider a store-cooked chicken served at home as a home-cooked meal!

Second, consumers want food to add to their well-being or the well-being of their family. They want nutritional performance in the form of lower fat, better balance or foods with other benefits—functional foods that help to lower cholesterol or protect against heart disease and possibly even cancer.

Third, food products have to taste great and provide reasonable value. Time and again, consumers have demonstrated they will not sacrifice the taste experience for other attributes.

Finally, and this is relatively new, consumers want confidence. This is particularly so in the case of meat, where fully 78 per cent of consumers consider safety as a key factor when making a purchase decision.

We want more information. What is in our food? Where does it come from? How is it grown? Is it fresh? We want to know that rules which safeguard our food supply are not only in place but are being enforced—a new and interesting sub-text in an age when institutional credibility may be at a low. And we are a skeptical lot. Sixty-four per cent of consumers express little trust in nutritional claims and feel nutrition information is confusing. We now want hard evidence that our food is safe and nutritious. Just like corporate governance it is not so much the system that has failed but a small number of high-profile incidents that have created widespread concern.

This is a pretty tall order for the food industry! While there are many, many features we must deliver on from convenience to nutrition to innovation to value, today's crisis of confidence does not just span corporate governance. It exists in our food supply as well.

A recent international study involving 34 countries found that despite advances in food processing not one country had a majority of respondents, who felt their food was safer today than 10 years ago.

Canadians who only five years ago had a natural and unwavering trust in their food sources, today share this concern. Despite international recognition of the calibre of our food production system as one of the tightest in the world, and the fact that Canada has not experienced the challenges seen in other parts of the world, a recent survey found 74 per cent of Canadians are concerned about the safety of their food.

In the world of marketing, consumer perception equals reality and events of the past several years have given consumers ample ammunition to shake their confidence:

- The escalation of various food-borne pathogens such as Listeria monocytogenes;
- The increase of serious water contamination incidents lowering our national confidence level;
- The emergence of BSE in Britain in the 1980s developed from giving contaminated feed to healthy cattle. In more recent years, we have seen BSE spread across Europe and even into Asia with the Japanese recently reporting their fourth confirmed case;
- The occurrence last year of foot and mouth disease spreading like wildfire across the British countryside, decimating herds and costing the British economy an estimated $20 billion.

Similar events in this country could result in denied access to international markets for years at a stretch and a loss of confidence of this magnitude would be very hard to recover from. Ultimately the repercussions have the potential to make the effects of the softwood lumber trade barriers look pale by comparison.

Canada is Well-Positioned

Sound ominous? Possibly so, but indeed our country is well-positioned to turn what might be seen as a challenge for the industry into what could become our most significant edge in meeting the demands of a growth sector. Why? Because we are already well ahead of the pack!

Canada has a highly regulated environment for food production and an international reputation as a producer of clean, safe and wholesome food. Around the world these attributes are almost synonymous with being Canadian.

In fact, our real challenge is to take a good thing and make it a lot better and to continue to raise the bar to establish true and sustainable competitive advantage. Canada's food industry can deliver on this promise in all respects. As a differentiator, both domestically and in the ever-so-important markets we export into, raising the bar on food safety will give us a calling card above and beyond what other countries can match.

As Canada's leading food processor and a global exporter of food products for more than 75 years, Maple Leaf Foods is leading by example on this journey. We have worked with the Canadian government to be leaders in the regulatory structure of the Hazard Analysis and Critical Control Points system of approvals (or HACCP for short). We are supportive of proposed regulations that will raise and align food-processing standards across all provinces, with Ontario leading the way by setting higher standards and enforcing them.

In our new product efforts, we have tried to reflect consumers' desire for higher levels of confidence in our various marketplace initiatives. For example, we have introduced hot dogs made with 100-per-cent meat and no fillers or by-products, and bread with 100-per-cent whole grain flours and added fibre.

Most significantly, Maple Leaf Prime Chicken—Canada's leading brand—was converted a year ago to Maple Leaf Prime Naturally. The birds are now fed exclusively Maple Leaf Nutri-Prime feed, a special blend of nutrition that is a 100-per-cent vegetable grain formulation containing no animal by-products or animal fats. This sounds simple, but was very difficult to execute and was introduced over the very loud objections of many in the industry, defying a traditional practice of animal nutrition. While there is absolutely nothing technically wrong with this tradition, consumers wanted something more. They wanted more confidence and they got it.

This is the product you had for lunch today. As I said earlier, consumers have also told us they will never sacrifice taste. This product actually tastes better than regular chicken and is 25-per-cent leaner. I hope you liked it. We are launching a similar proposition with Maple Leaf Medallion Naturally fresh pork, bacon and ham. Our industry has come a long way from the all-too-often overcooked pork chops of our childhood—and we're only just beginning.

Underpinning all of this is our foundation of food-safety assurance. Last month, we took this to the next level by expressing this commitment in a new positioning statement for all Maple Leaf brand products—Maple Leaf "We Take Care."

This over-arching position for the Maple Leaf brand "We Take Care" says in clear terms that while we will deliver on the unique attributes of each of our products such as taste, nutrition, convenience and value, we will underpin these with our commitment to continuous improvement in the area of food-safety assurance. At Maple Leaf, this means building a culture of food safety in all aspects of our businesses, reinforcing this with investment in research, people and training, and assuming the highest operating standard of care that technology and vigilance will allow.

A Better Food-Supply Chain

Several years ago we at Maple Leaf began executing our central business strategy in protein, which we termed vertical co-ordination. This strategy was born out of our customers' demands internationally for food safety assurance and what is referred to as traceability, one of the holy grails of a food-supply chain.

This is the ability to trace a piece of meat, or any other food product you buy in a grocery store, all the way back to the farm operation that produced the animal—tracking every link along the chain.

I was introduced to this goal by Japanese buyers who referred to it as "story pork" or the desire to be able to trace the entire story of meat production from farm gate to consumer's plate—all for food safety and control reasons. They want to know about the farm the animal was raised on, what it ate, the genetic history and how it was raised. They want to be able to trace back to this history in the event of a breach and they want to make sure we take minute care along every link in the chain.

This is one of the central elements of our very complex vertical co-ordination business model that manages food production with business partners all along the supply chain from origin genetics and animal nutrition through to the final customer purchase.

Keep in mind that global consumption in animal proteins and particularly pork is growing rapidly. The demand growth alone for pork consumption in China over the next decade is expected to exceed the current size of the entire U.S. market. In 2001, Canada became the single-largest exporter of pork products to the world. We have the climate, the grain and the available land that make us ideally suited. We deliver to the most discriminating global markets what is recognized as the highest-quality products worldwide.

The Japanese, for example, value Canadian pork over every other source in the world. They pay a premium for it and one of the key drivers is again food safety.

Our vertical co-ordination business model supports our ability to provide the marketplace with at least partial traceability, in addition to innovative livestock feed and genetics to expand the horizons of a global market for Canadian meat, and please note this is natural selection genetics, not genetic engineering.

In pursuit of full-scale traceability, Maple Leaf is funding DNA identification technologies which allow DNA testing to trace meat right back to the farm of origin and through every link in the chain. This involves developing a panel of possibly 300 genes to use as the animal's unique identity, like a fingerprint that carries right through to the final meat product in a Tokyo or Toronto store. We believe we are within 24 months of making this a reality. Currently, no country in the world has capabilities and regulatory systems in place to provide full traceability of food products.

Broadening the testing to include all livestock in Canada and other species would require a commitment from government under the form of a public-private partnership. This level of traceability would be revolutionary and truly distinguish Canadian meat products in the global market. It would be a point of difference in food safety that could set us apart and make a mandatory declaration of "Country of Origin," something we would aspire to, not be afraid of. The returns to Canada in jobs, in exports and in new asset investments would be formidable.

Another area where we are using technology to protect food safety and the environment is in the area of hog nutrient management. Large hog farms operate under the most intense regulations and public scrutiny. We are using global positioning satellite systems (the same technology used in today's luxury cars) to monitor the spread of manure from our hog production sites. This allows us to scientifically apply just the right quantity and chemistry of nutrients, turning what some may have mistakenly perceived as a waste product into a valuable soil nutrient package. GPS gives us real-time information to monitor application and absorption at the optimal level. The benefit to the farmer, the producer and the environment is significant.

On the farms, we are electronically monitoring hog production. We have 11 barns in Manitoba where we are using remote sensing technology to monitor feed distribution, water consumption and quality, and barn temperature. All of this real-time information is gathered into a database and put up on a Web site where producers can access information about their operations and make adjustments to ensure an optimal environment for the animals.

Government and Industry Have a Role Together

I don't mean to convey that we can fully realize the potential of our agribusiness sector without some significant global challenges.

While we hear a lot about free trade and the importance of a global economy, a protectionist mentality is on the rise with trade barriers and subsidies significantly impacting our industry and ultimately Canadian consumers—from farm to fork, so to speak.

For example, last year Japan instituted "country of origin" labelling for meat products, which means that all products that originated in other countries must clearly state their origin. The U.S. has passed similar legislation. In both cases, the motivation is trade barrier, not consumer protection, as their governments mistakenly feel that identification of domestic product will impair imports.

The pending U.S. farm bill will subsidize American farmers to the tune of US$170 billion over the next 10 years. While the impact of these subsidies on the Canadian agricultural sector is very significant, it is arguably even more devastating in developing countries where the majority of people rely on the price of grain for their livelihood.

The EU and U.S. agricultural subsidies massively undermine the developing world. Canada has chosen not to compete with these unfair trade subsidies, a fact that puts a significant burden on Canadian producers because they have proven they can compete with anyone in the world—except with Washington or Brussels.

That said, we need to view these challenges as market realities and not let them stop us from moving forward. We need to leverage our excellent reputation, make our point of difference in quality and food safety more pronounced, and position food "Made In Canada" as something akin to "German Automobiles" or "New Zealand Lamb" worthy of even more price premiums. And we need not one, but all our industry players to join together to successfully build Canada's reputation in this area.

I believe the federal government's Agricultural Policy Framework, with its focus on food safety, innovation and the environment, is a strong step in the right direction. It is revolutionary in recognizing agriculture and food as one industry and indicates progressive thinking that will serve the industry well.

It recognizes the need for sustainable development, innovation and building a consistent Canadian brand that will define our products worldwide.

To establish sophisticated capabilities such as traceability will require public-private partnerships to ensure we lead the way globally and that all Canadian industry players can benefit. To build a "Made in Canada" brand based on delivering the gold standard in food safety assurance will require the government to take a leadership role by supporting critical research, investing in food-safety innovations and enforcing high standards across the industry.

It will require all industry players to join hands and commit to the highest standards, consistency of national-brand strategy and a willingness to stake our reputation on our ability to deliver and back up the brand with action.

At Maple Leaf, we will do our part to take care of consumer demands for safe and nutritious food, both here and around the world. We intend to fill the void of confidence that consumers are longing for. And we'll always do it with a passion for this business.

I kind of like the notion that working together we can make "Product of Canada" on food labels around the world something that is worth just a little bit more—something we can all be proud of.

The appreciation of the meeting was expressed by Charles S. Coffey, Executive Vice-President, Government and Community Affairs, RBC Financial Group and Director, The Empire Club of Canada.

Ann Curran, Director, Corporate Development International and President, The Empire Club of Canada, Michael F. Kergin, Canadian Ambassador to the United States and Allan E. Gotlieb, Chairman, Sotheby's Canada and Former Canadian Ambassador to the United States.

September 26, 2002

Michael F. Kergin

Ambassador of Canada to the United States

CANADA-U.S. RELATIONS: A MIDTERM REPORT (LESSONS MY POLI SCI PROF NEVER TAUGHT ME)

Chairman: **Ann Curran**
President, The Empire Club of Canada

Head Table Guests

Margaret M. Samuel, MBA LLB CFA, Portfolio Manager, Integrated Investment Management Inc. and Director, The Empire Club of Canada; Nora Draper, OAC Student, North Toronto Collegiate Institute; Rabbi Perry Cohen, Facilitator, Teacher and Author; George J. Edyt, Attorney-at-Law, Hodgson Ross LLP; Gareth S. Seltzer, President and CEO, TWS Petroleum Limited, Managing Director, TWS Private Wealth Management and Past President, The Empire Club of Canada; Senator Jerry S. Grafstein, Partner, Minden Gross Grafstein & Greenstein; Robert J. Dechert, Partner, Gowling LaFleur & Henderson LLP and Past President, The Empire Club of Canada; Edward Greenspon, Editor-in-Chief, The Globe and Mail; Allan E. Gotlieb, Chairman, Sotheby's Canada and Former Canadian Ambassador to the United States; and Kevyn Nightingale, CA, CPA, Partner, International Tax Services Group and Secretary, The Empire Club of Canada.

Introduction by Ann Curran

The United States is our largest trading partner and the world's sole remaining superpower. Being a Canadian ambassador is a demanding job, but being the Canadian Ambassador to the United States during this last year must have been overwhelming. 9/11 has dramatically changed our political, immigration, trade and security issues with the U.S. Here today to talk about some of those issues is Michael Kergin, Canada's "Man in Washington." This is Mr. Kergin's first visit to The Empire Club of Canada since assuming his role as Canada's Ambassador to the United States in October 2002. He will be giving a mid-term report, or as he likes to refer to it, "Lessons My Poli-Sci Prof. Never Taught Me." It will include a stocktaking of where the range of issues in the Canada-U.S. relationship stands.

Michael Kergin presented his Letters of Credence to President Clinton on October 19, 2000, becoming the nineteenth representative of Canada to the United States. Ambassador Kergin's career in the public service began when he joined the Department of External Affairs (now the Department of Foreign Affairs and International Trade) in 1967 as a Foreign Service Officer. His postings abroad included New York (the Canadian Mission to the United Nations), Cameroon and Chile. He served as Ambassador to Cuba from 1986 to 1989 and was posted in Washington twice prior to his appointment as ambassador.

During his years in Ottawa, Mr. Kergin held various positions at the Foreign Affairs Department. From 1984 to 1986, he was the Senior Departmental Assistant to then Secretary of State for External Affairs, Joe Clark. In 1994, he became Assistant Deputy Minister responsible for Political and International Security Affairs. After two years, Mr. Kergin became the Assistant Deputy Minister with responsibility for the Americas and Security/Intelligence Affairs. He held that position until 1998, when the Prime Minister asked him to serve as his Foreign Policy Advisor as well as Assistant Secretary to the Cabinet for Foreign and Defence Policy (the Canadian equivalent to the National Security Adviser in the U.S. government).

Mr. Kergin graduated from the University of Toronto in 1965 with an Honours Bachelor of Arts degree in History and Languages and in 1967, received a Masters in Arts (Economics) from Magdalen College at Oxford University.

Michael Kergin

It is a distinct honour to be invited to speak at the Empire Club, which for nearly 100 years has brought thoughtful Canadians together to discuss the issues of our day.

There have been many before me who spoke about Canada's relationship with the United States, as there will be many who follow to speak on the same issue. It is something about which Canadians always have a strong opinion. And so they should. The U.S. is central to our economic well-being; it integrally influences our culture; and it is our security blanket—whether we like it or not.

Among the 2,500 or so esteemed personalities who have graced this podium before me was the celebrated economist John Kenneth Galbraith. In his speech here in 1972, he said that: "The only way to get away from the influence of the American economy would be to float our half of the continent away somewhere else."

What is remarkable about that statement is that Galbraith could, a mere 30 years ago, get away with it. Today, it seems absurd. No matter how far one is geographically, U.S. economic influence cannot be escaped.

The global economy is dominated by the United States—from advanced technologies to business practices; from monetary prevalence to investment destination. Canada's proximity to this powerhouse brings particular challenges and remarkable opportunities.

I would argue that the advantages are overwhelming. But to reduce certain of the inconveniences of life with Uncle, it is wise to apply some basic lessons.

Because these lessons are based on practice, they may not fit political theory—at least not the political theory purveyed by my University of Toronto professor some 40 years ago.

Let me begin my report with the horrible events of September 11. They have had a dramatic impact on our relationship: from how our cross-border transactions are managed to how both countries will view international peace and security.

In the war on terrorism, Canada has been a steadfast ally. Despite complaints about a "weak, underfunded" military, the Canadian Forces are among the few in the world which are interoperable with the U.S. army. Canadians are their partners of choice.

Our Naval Task Group in the Persian Gulf has hailed more than 5,000 ships and conducted more than 130 boardings, about half of those made by the entire coalition. And we still have special forces in and around Kandahar.

Canada was the fourth-largest contributor to the international coalition in Afghanistan. Pretty good for a country located half a globe away from the scene of the action.

At 9 a.m. on September 11, it was a Canadian team in charge of operations at North American Aerospace Defence Headquarters in Colorado Springs. And it was the Canadian commander who directed the initial response to the terrorist attacks on the U.S. by clearing airspace and scrambling fighters. This provides an interesting glimpse into the high degree of trust Americans have in their continental partner and their willingness to "share sovereignty" during a time of crisis.

It sometimes puzzles me why some Canadians feel uncomfortable with current proposals to engage in contingency planning for joint military maritime and land operations to counter terrorist threats to North America. Trust really does have to be a two-way street.

It is difficult to overstate the impact that September 11 has had on the American psyche. While others view the U.S. as omnipotent, Americans themselves feel highly vulnerable. It was New York and Washington, not Paris or London, which were massively attacked.

Accordingly, September 11 accelerated the Bush Administration's predilection of "America first"—a tendency which runs counter to Canada's primary multilateral instincts.

Yet, this divergence is not unprecedented in U.S. history. In the case of Iraq, it is also not yet proven. Following a strong appeal by Prime Minister Chrétien, President Bush has engaged the UN on the Iraqi question.

September 11 has also brought other challenges in our relations with the United States. It had an immediate impact on our shared border.

Over 300,000 people and $1.9 billion in trade cross our border every day. Eighty-three per cent of our exports go to the United States, mostly by truck. Immediately following the terrorist attacks, border movement was suddenly stalled.

Twelve-hour delays were common; 18-hour delays were not unheard of. By September 13, the line-up from Sarnia into Port Huron stretched 25 kilometres.

How we have since dealt with this border imbroglio can be viewed as a tutorial on the successful management of Canada-U.S. relations.

Working the U.S. system is a bit like undergoing that endurance race you see on TV. You know, the one called the eco-challenge. To succeed, you have to know the landscape, you need a winning strategy, an engaged leader, exceptional teamwork, and, above all, perseverance.

September 11 reversed conventional U.S. priorities: profitable and familiar commerce ceded to a predominant preoccupation, even obsession, with security. Canadian users of the border had to establish their bona fides rather than benefiting from the earlier practice of facilitated passage unless evidence pointed to the contrary.

In the face of such a reversal of border management, Canada, as the smaller and more affected party, initiated and presented its own plan for addressing joint security concerns at the border.

This provides an important practical lesson in Canadian-U.S relations: by taking the initiative we ensured that it was the Canadian approach which formed the basis for future discussions.

Our plan is based on the principle that trade facilitation and improved security are not mutually exclusive, but rather, complementary. We proposed coupling sophisticated technologies with common-sense risk management. Concentrating resources where they are needed most, that is, on the high-risk users, is the only realistic way to protect a border some 9,000 kilometres long, 3,800 kilometres of which is water.

In Canada, the Prime Minister tasked his Foreign Minister, John Manley, with heading the Cabinet ad-hoc Committee on Public Safety and Terrorism. A short time later, the U.S. Administration established an Office for Homeland Security with Governor Tom Ridge as its director. The close rapport between Manley and Ridge, their similar responsibilities and their leadership galvanized the myriad agencies, stakeholders, municipal and regional entities into action.

This is another lesson: only by securing political direction from the most senior level of government and co-ordinating the diverse agencies from a central point could trade-offs be effected to achieve an improved comprehensive result.

But in Washington, convincing the Administration is only part of the battle. Other players viewed Canada as a threat. On September 13, the Boston Globe published an erroneous story alleging that several of the terrorists came into the United States from Canada. Within a day, it became an urban myth, and the "porous" northern border became a hot topic in the corridors of Congress, in think tanks across Washington, and in the media nationwide.

During debates, one senator delighted in dramatically displaying an orange cone, declaring that this was all that stood between the United States and invading terrorists from Canada.

And here is a third lesson: with a strategy, co-ordination, persistence and patience, initial misperceptions, no matter how widely spread, can be modified. In the eyes of more and more Americans, the border has now changed from "porous" to "smart."

It is no coincidence that Prime Minister Chrétien and President Bush met at our busiest border crossing, the Detroit-Windsor corridor, on September 9. Their meeting initiated a week-long series of memorial services by calling attention to the remarkable progress achieved at the U.S.-Canada border.

They announced two new Smart Border programs:

1. The Free and Secure Trade (FAST) program for pre-authorized carriers of goods; and
2. NEXUS for individuals who cross the border regularly to get to work or school and are pre-approved as low risk.

A NEXUS-Air program will begin testing in airports in early 2003.

We will also begin work in new areas of co-operation such as bio-security and marine security.

The same kind of political commitment we brought to the border now needs to be directed toward modernizing our trade structures, like NAFTA, to reduce frictions created by a growing economic interdependence. For example, working to review rules of origin requirements, more efficient dispute settlement rules, reduced recourse to trade remedy measures such as dumping and countervail duties, and improved investor-state regulations.

Our economic partnership is more than a story of imports and exports. Increasingly, our trade is about adding value to an international production chain. It is not only true of our automotive industry. It is also the reality for U.S. and Canadian ranchers and farmers who move their livestock across the border at different stages of the production cycle and for U.S. pasta-makers and homebuilders, who rely upon high-quality Canadian Durham wheat and Canadian lumber respectively.

Our most longstanding dispute is softwood lumber. It affects thousands of Canadians and Americans—mill-workers, lumber dealers, homebuilders, and consumers—and is illustrative of the powers of special interests.

We should be able to show the world that the two-largest trading partners can resolve this important disagreement. It is therefore essential that barriers to improving this highly profitable and productive economic relationship be reduced and eventually removed. For both our sakes.

But we must remain very clear eyed. And here is the fourth lesson in U.S. politics: Credibility as a secure partner, either in trade as an energy supplier or stalwart partner against terrorism, does not always carry us as far as we might hope in Washington. To borrow an aphorism coined by Tip O'Neil, former Speaker of the U.S. House of Representatives: "All politics is local."

And, in trade matters, a foreign power must work as much with Congress as it does with the Executive Branch of Government.

While one of the President's greatest successes during the 107th session of Congress was undoubtedly the passage of fast-track authority, known as Trade Promotion Authority, it may have come at a substantial price. It authorizes the establishment of a Congressional Oversight Group (known appropriately as COG) to monitor U.S. trade negotiations. There is a real chance that under this Congress, and probably under the next, COG will engage and (unusually for a cog) likely block any attempts by the Administration to weaken current U.S. trade remedy law.

The recent passage in Congress of the Farm Bill, giving agricultural subsidies to farmers, is another clear example of raw political power.

The Farm Bill was roundly criticized by urban media. Agricultural subsidies distort world markets and put Canadian farmers at a disadvantage. The Farm Bill also complicates U.S. (and Canadian) chances of extending the free-trade agenda at the WTO and within the hemisphere through the FTAA.

We should not be surprised when developing countries resist market-access initiatives, promoted as part of a free-trade agenda, as long as the E.U. and the U.S. have recourse to their huge agricultural subsidies. For example, subsidies by OECD countries represent two-thirds of Africa's total GDP. They greatly contribute to the disparity between the developed and the developing world. This is a theme that Prime Minister Chrétien emphasized when Canada hosted the G-8 meeting at Kananaskis last June.

Accordingly, Canada welcomes the recent position advanced by U.S. Trade Representative, Bob Zoellick, in his ambitious proposal to the World Trade Organization to eliminate all agricultural export subsidies and dramatically reduce government support for agriculture.

Indeed, as the 1990s was characterized by world arms control conferences, perhaps we now need the equivalent of an international disarmament conference to dismantle the costly, counterproductive and pernicious use of agricultural subsidies.

Living in such close proximity to the United States has, over the years, inspired a unique network of bilateral mechanisms for facilitating communication, promoting co-operation, averting disputes and resolving disagreements. Past challenges have often bred innovative solutions, which in turn help overcome future hurdles.

And this leads to my final lesson and a very positive one: What Canadians and Americans achieve together can often serve a wider constituency beyond our shores.

The Canada-U.S. Free Trade Agreement and its successor, NAFTA, have proven to be enormously successful in facilitating trade. Trade has far exceeded economic growth, acting as an engine to pull our economies ahead. It could not have done so if the tracks had not been laid, first by the FTA, and then extended to Mexico through the NAFTA.

This trade agreement is a benchmark against which other trade pacts are being measured—serving as a working model not just for other nations' agreements, but also for regional and multilateral trade negotiations, like the FTAA.

Our environmental co-operation is another dynamic example of how yesterday's experiences can help answer tomorrow's questions. Both countries are victims of the other's environmental shortcomings—and both are beneficiaries when either takes action to do the right thing.

The visionary 1909 Boundary Waters Treaty established the International Joint Commission (IJC) to regulate water levels and flows, monitor water and air pollution, and help prevent and resolve disputes. Almost a century later, that approach is still ahead of its time.

With the Great Lakes on Toronto's doorstep, this audience especially will appreciate the progress made in enhancing the lakes' water quality. Beaches are cleaner, fishing stocks have improved and once-vanished species such as the bald eagle and the peregrine falcon have returned to the Great Lakes basin.

On air issues as well, the degree of co-operation between Canada and the U.S. is truly remarkable. Through the 1991 Air Quality Agreement, Canada and the United States have made great strides in reducing emissions of major pollutants that cause acid rain.

The many Canada-U.S. agreements and accords can be considered blueprints for the international community—the Free Trade Agreement and NAFTA, the Boundary Waters Treaty and the Air Quality Agreement and, most recently, the Smart Border Declaration encompassing co-operation on migration, refugees, customs, security, policing and intelligence.

These all deal with global issues. And I would strongly argue that we have reached honourable and effective agreements with the U.S. without sacrificing our sovereignty.

Sovereignty, after all, is the freedom to enter into (or terminate) arrangements which improve national well-being. It not only requires the wit to acknowledge that the world has changed, but the courage to change ourselves.

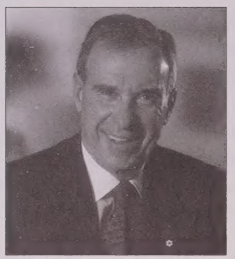
Gabriel García Márquez, the Colombian author and winner of the Nobel Prize for Literature wrote recently: "Do not expect anything from the 21st century; it is the 21st century that expects everything from you. It is a century that does not come ready-made, but rather ready to be forged by you, and it will only be as glorious as the limits of your imagination."

Canadians should never limit their imagination. The creativity with which Canadians have conducted their relations with their nearest neighbour can indeed serve as an inspiration to others in turning challenges into opportunities.

And this might be the most important lesson of all.

Thank you.

The appreciation of the meeting was expressed by Robert J. Dechert, Partner, Gowling LaFleur & Henderson LLP and Past President, The Empire Club of Canada



October 17, 2002

Paul M. Tellier

President and CEO, Canadian National Railway Company

CORPORATE GOVERNANCE: A PERSONAL PERSPECTIVE

Chairman: **Ann Curran**
President, The Empire Club of Canada

Head Table Guests

Verity Craig, Associate, Carmichael Birrell & Co. and Director, The Empire Club of Canada; The Reverend Dr. John Niles, Pastor, Victoria Park United Church and Director, The Empire Club of Canada; Dominic Gammiero, President and CEO, Nexfor Inc.; David Cardin, President, Maersk/Sealand; Munehiko Hino, President, NYK Line (Canada) Inc.; John C. Koopman, Partner, Heidrick & Struggles and 1st Vice-President, The Empire Club of Canada; Greg Pimento, Vice-President, Operations, Chemtrade Logistics; John F. Bankes, Managing Director, Artemis Management Group Inc. and Past President, The Empire Club of Canada; Rick E. Gaetz, President and CEO, Vitran Corporation; and Rod F. Barrett, Managing Partner, Stikeman Elliot.

Introduction by Ann Curran

In the wake of spectacular failures in corporate governance, such as Enron and Worldcom in the U.S., Bre-X and Livent here in Canada, investors are left wondering whom to trust. The U.S. has recently brought in tough new governance standards and many here are wondering if Canada should follow suit and impose stricter standards, particularly in the area of board independence.

Our speaker today takes a long-term perspective on how to restore confidence in the capital markets. Drawing from both his experience as the federal government's top public servant as well as a businessman with a North American vision, Mr. Tellier questions whether tighter regulatory and legislative controls alone can produce the desired results. The fundamental issue of corporate responsibility is more than governance structures and rules.

Speaking of trust, some of you might be thinking who is Paul Tellier and what credibility and experience does he bring to this discussion? Well let me assure you that after I read you the abbreviated version of his biography, you will have no doubt that this man knows of what he speaks.

Paul M. Tellier was appointed President and Chief Executive Officer and a Director of the Canadian National Railway Company on October 1, 1992.

Mr. Tellier had been Clerk of the Privy Council and Secretary to the Cabinet of the Government of Canada, the top public servant in the country, since August 1985.

He is a graduate of the universities of Ottawa and Oxford, England, and was admitted to the Quebec Bar in 1963.

Mr. Tellier served in many positions in the public sector, including Deputy Minister of Indian Affairs and Northern Development in 1979 and Deputy Minister of Energy, Mines and Resources in 1982.

Mr. Tellier is a Director of the following companies: Alcan Aluminum Limited, BCE Inc./Bell Canada, Bombardier Inc., Grand Trunk Corporation and McCain Foods Limited. He is Vice-Chairman of the Canadian Council of Chief Executives and Co-Chair of their North American Policy Committee and is formerly the Chairman of the Conference Board of Canada and the Co-Chairman of the Canada-Japan Business Council.

Mr. Tellier was appointed Companion of the Order of Canada in 1993.

In 1997, Mr. Tellier was chosen by Railway Age as the Railroader of the Year. In 1998, he was selected by his peers in Canada as the CEO of the Year. In 2000, he was named Personality of the Year by the newspaper, Les Affaires.

In 2001, he received the McCullough Logistics Executive of the Year award from The National Industrial Transportation League and Logistics Management and Distribution Report.

Without further ado, I give you Paul Tellier.

Paul Tellier

I want to talk today about corporate responsibility. A free enterprise system in a democracy depends upon transparency and trust. Trust in corporate leaders. Trust in regulators. Trust in the legal framework. Trust in financial reporting. Trust in the accounting profession. In short, trust in corporate responsibility. The investment analyst, the small shareholder and the institutional investor all have to be able to believe that the numbers that are reported are correct.

In this light, the subject of corporate governance has recently become a cottage industry. In the past months, we have seen a great many studies, reports, statements and speeches on the topic. Last month, the Canadian Council of Chief Executives issued a set of guidelines.

What more can I add to what has been said or written? I am no Purdy Crawford—Canada's most respected director—and I do not have the responsibilities of David Brown, Chairman of the Ontario Securities Commission, or Barbara Stymiest, CEO of TSX Group. Why do I tread here? I have served in government for more than 20 years. Ten years ago, I found myself leading a large commercial organization—CN. Within three years, that company became listed in New York and Toronto. Based on this experience, I want to share some personal views on five corporate governance issues.

1. Short-term focus

First, when CN became publicly traded, I was struck by how much, as a chief executive officer, I was pressured to produce short-term results. Wall Street and Bay Street—particularly the sell-side analysts—tend to create tremendous pressure on corporate executives to focus on the financial results of the quarter.

There is an upside, but also a downside to this. The upside is that it imposes discipline on the executive office. We are kept on our toes. There is constant pressure to remain accountable. We must have clear performance measures. We review the numbers almost every day with an eye to short-term results.

But I am concerned that we are not always as aware of the downside. This obsession with managing the earnings per share year over year makes it more difficult to make decisions that will yield results only in the mid- to long-term.

For instance, our industry is very capital intensive. We must re-invest almost 20 per cent of our revenues in capital expenditures every year. This is almost twice the amount of depreciation. We cannot defer these kinds of investments for safety and long-term growth just because we are expected to increase the cash flow.

Although I have been a CEO for 10 years, I still feel that the end of every quarter comes around awfully fast. I spend a great deal of time with the chief operating officer and chief financial officer in reviewing with senior executives the results quarter by quarter.

I believe that shareholders and employees would be better served if business executives were focused more on the longer term, while being guided by the performance signposts of quarterly results.

Executives need a great deal of integrity and fortitude not to succumb to the temptation of being too short-term oriented.

2. The securities industry

My second observation involves the nature of the securities industry.

Let me preface my comments by saying that I have enjoyed working with research analysts over the years. The great majority of them are bright, hard-working, competent, honest, and eager to do the right thing.

But the nature of the securities business, especially on the sell side, is to focus on short-term, quick-growth opportunities, sometimes to the detriment of stable, but less glamorous, businesses. The model some analysts used could be broader and more focused on the corporate strategy the business is pursuing. If the market is to restore investor confidence, it must be able to discern long-term value. The top-rated analysts already do that.

3. Corporate boards

My third comment has to do with boards. My experience on boards goes back 22 years. I want to make the following three points:

i. Boards should not be dominated by the CEO. CEOs and senior management to a large extent control the agenda and totally control the flow of information going to the board. A fine balance must be struck by putting enough, but not too much, information in front of the board. By putting too many topics on the board agenda, a CEO may be perceived as indecisive or weak. On the other hand, a CEO who enjoys a good board would be foolish not to actively engage his or her directors.

ii. Board meetings should not be a series of monologues. Management should resist the temptation to make endless presentations. Directors should resist being subjected to them. Presentations should not be a substitute for dialogue and discussion.

iii. Non-performing directors should be removed. Removing a non-performing director is an extremely important but also very difficult and delicate task. It is a task that must be performed. A sense of excellence has to start at the board level.

Shareholders have a right to demand the highest levels of performance from their directors. And the chairs of Canada's corporate boards must become more aggressive in inviting underperformers to step down.

4. The CEO

For my fourth observation, let me be equally demanding in what should be required of chief executive officers. Two points:

i. The character of the CEO. Over the past years, there has been a tendency to treat some CEOs as celebrities. A CEO has the responsibility to play a public role by answering questions from the financial community and the media. After all, we are talking about shareholders' money. I believe it is important for the CEO to be accessible, transparent and outspoken. If the CEO is competent in discharging this role, he becomes visible. But that visibility must be kept in perspective. The danger of one believing every newspaper clipping is always present, but should be avoided. As a result, I believe it is important for CEOs to emphasize the team. Let the strength of the team be a measure of the personal strength of the CEO. Good leadership thrives when one is surrounded by colleagues who can stand their ground. In the age of celebrity CEOs, it is more important than ever for boards to look deeper into the character of an individual to decide whether this is the right person to lead the company. What are the candidate's values and ethics? How deep is the sense of personal integrity? How does this person balance work and life? What does this imply about character? How sound is the individual's sense of judgment? The choice of CEO affects the entire culture of a corporation. Boards must seek individuals who will inspire an entire organization, with the values of fair dealing, probity, and integrity.

ii. Listening to the shareholders. One of our institutional shareholders told me recently: "Many of the corporate governance issues would disappear if CEOs were listening more to their shareholders." I agree. I spend close to 20 per cent of my time on investor relations. I have resolved to sell less and to listen more. That is a personal commitment.

5. The legal framework

A fifth and final observation is that integrity cannot be legislated or regulated. No law, regulation, or guideline could have prevented what happened at Enron, WorldCom, or Tyco.

Responsibilities are shared among the board, the CEO and management, the investors, and the regulator. The disasters, that destroyed billions in shareholder value, were not discovered by regulators. The legal system came in after the fact.

Investors, especially institutional investors, must focus on the right values and reward the right values with their investment dollars.

The market should drive the desire of companies to set the highest standards of integrity, transparency and corporate responsibility.

Canada has benefited from a strong framework for corporate responsibility. It has been based primarily on guidelines and codes of conduct, supported by solid regulation, underpinned, when necessary, by legislation. The requirements in this regime have set very high standards for Canadian governance.

In response to the scandals in the United States, the Americans have increased their regulatory and legislative requirements. They have raised the bar in some areas above what is required in Canada. CN is publicly traded in both Canada and the United States. In order to stay competitive, CN must adhere to the highest possible standards.

So, although we are governed by Canadian law, we see ourselves as a North American company. We believe in meeting or exceeding the highest standards expected in the regime in which we operate. And so we decided to voluntarily meet the requirements expected of our peers in the U.S. railroad industry.

Taking our governance to the next level

Ever since CN became a shareholder-owned company, we have sought to be a leader in corporate governance.

We split the positions of CEO and chairman. We elect our corporate directors annually. Only outside directors make up our audit committee. There is no cross-directorship, in the sense that the CEO does not sit on the board of any of the directors.

Our quarterly results are reviewed by external auditors and by the audit committee before their release. We share in advance the MD&A (management discussion and analysis) with the audit committee. We regard the requirements of securities commissions and regulators as a foundation to improve upon. We believe good governance is good business.

Many of these practices are becoming standards for good corporate governance. We are proud of these standards. Do we have more work to do? Absolutely.

This was brought into focus last week when the Globe and Mail's "Report on Business" published a series of excellent articles on corporate boards. It rated boards on four criteria: board composition; compensation; shareholder rights; and disclosure.

CN was ranked in the top quartile overall, but I will not be satisfied until we are ranked among the top five. This will require vigorous action on our part. CN has never shied away from this challenge before.

Several years ago, we said we would become the best railroad in North America. Some observers scoffed because, at that time, we were well back in the pack. Today we are number one.

Then we set a new goal. We said we would become the best transportation company in North America. We are working to make that happen.

Now I am determined to work with our Chairman, David MacLean, and the rest of the CN board to put our governance practices in the forefront of best practices. We are taking our commitment to corporate responsibility to the next level.

1 am committed to ensure that CN appears in the top-five corporate boards of future corporate-governance surveys. And I challenge my colleagues in the executive suites of companies across Canada to compete with us for top honours. The quality of corporate governance has become a new standard to judge the quality of a company—and its potential value to investors.

Conclusion

Let me conclude by stating what is made obvious by the drop in the TSX and Dow indexes: We are facing a serious crisis of confidence in the market. The crisis has been fuelled by governance scandals. As a result, millions of people have seen their investments shrink or disappear. This has been very unfortunate for everyone involved, and it has damaged the ability of companies to raise needed capital.

From this rubble, we must build stronger foundations for corporate responsibility. This will happen. It will happen, in part, because most CEOs have survival instincts. Only a fool would ignore what is happening in today's market. To succeed, a CEO must now demonstrate a high degree of corporate responsibility. Any responsible leader has no alternative, but to review corporate governance practices, codes of conduct and general behaviour.

So there is a silver lining. In the years ahead, investors will end up with better-led, better-regulated and better companies to invest in.

From our short-term difficulties we will derive long-term benefits. This will be good for Canadian business. It will be good for Canada. We do not want a regime that will stifle reasonable risk taking and entrepreneurship. But we must continue building a governance regime that will inspire confidence, and attract investment capital from around the world.

Thank you.

The appreciation of the meeting was expressed by John C. Koopman, Partner, Heidrick & Struggles and 1st Vice-President, The Empire Club of Canada.

John McLennan, Vice-Chairman and CEO, At&T Canada Corp., Gaylen A. Duncan, President and CEO, ITAC (Information Technology Association of Canada) and Ted Rogers, President and CEO, Rogers Communications Inc.

October 23, 2002

A joint meeting of The Empire Club of Canada and The Canadian Club of Toronto

The Hon. Ralph Klein

Premier of Alberta

A "MADE-IN-CANADA" APPROACH TO GLOBAL WARMING

Chairman: **Ann Curran**
President, The Empire Club of Canada

Head Table Guests

Dr. Roy Norton, Executive Director, International Relations and Protocol, Ontario Ministry of Enterprise, Opportunity and Innovation and Director, The Canadian Club of Toronto; Joseph James Rizzo, Academic Student Achiever of Proficiency in Math and Honours in Business, Grimsby Secondary High School; The Rev. Kim Beard, BA, BEd, MDiv, Rector, Christ Church, Brampton and Director, The Empire Club of Canada; Leslie Noble, Managing Director, Strategy Corp.; The Hon. Murray Smith, Minister of Energy, Province of Alberta; The Hon. Mike Harris, Chair, Ontario's Promise and Former Premier of Ontario; David L. Lindsay, President and CEO, Superbuild Corporation and Director, The Empire Club of Canada; Ken Whyte, Editor, National Post; Julian Nowicki, Deputy Minister of the Executive Council, Province of Alberta; Ron Munkley, Vice-Chairman and Head of Power and Utilities Group, CIBC World Markets Inc.; and Nancy Lockhart, President, The Canadian Club of Toronto, Chief Administrative Officer, Frum Development Group and Chair, Ontario Science Centre.

Introduction by Ann Curran

The man beside me today probably needs no introduction but before we start into what I'm sure will be a lively address, let me take a moment to give you a little background on Premier Klein. This man has achieved a lot. I will give you an abbreviated version of his biography but if you would like full details including the many awards he has received, please visit our Web site.

Ralph Klein was elected leader of the Progressive Conservative Party on December 5, 1992 in the first one-member one-vote leadership race held in Alberta. He was sworn in as Alberta's 12th premier on December 14 of that year.

Several months later, Albertans gave his party a resounding victory in the provincial general election of June 15, 1993.

In the March 11, 1997 general election, Albertans returned Mr. Klein and his government to office for a second term, with an increased majority.

As premier, Mr. Klein has revamped and opened up the government's decision-making process, downsized government, balanced the budget, begun the orderly pay-down of debt and spearheaded a drive to develop the climate for private-sector job creation.

Ralph Philip Klein was born in Calgary November 1, 1942. Educated in Calgary, he interrupted his high-school studies to enlist in the Canadian Air Force. Upon leaving the service, Mr. Klein completed his high-school education, eventually becoming principal of the Calgary Business College.

From 1963 to 1969 Mr. Klein pursued a public relations career with the Alberta Division of the Red Cross and the United Way of Calgary and District.

For the next 11 years, he was the senior civic affairs reporter with CFCN Television and Radio.

On October 15, 1980 Ralph Klein was elected Calgary's 32nd mayor, one of only two mayors born in the city. Re-elected in 1983 and 1986 with among the largest pluralities in the city's history, Mr. Klein's major accomplishments included the 1988 Olympic Winter Games, Calgary's Light Rail Transit System and protection of the Bow River.

Ralph Klein was elected MLA for Calgary-Elbow March 20, 1989 and on April 14, 1989 was appointed Minister of the Environment. In that portfolio, Mr. Klein oversaw the development of the Alberta Environmental Protection and Enhancement Act, acknowledged as one of the most progressive environmental laws in Canada.

Since becoming premier in 1992, Mr. Klein has also served as Minister of Federal and Intergovernmental Affairs (1993) and Minister of Economic Development and Tourism (1994).

Premier Klein has joined us today to give us an update on what's happening in one of Canada's hottest provincial economies. A key focus will be the Kyoto Protocol and Alberta's own plan to tackle global warming. Premier Klein will emphasize that Albertans are serious about responding to climate change, and that the province has a plan.

Without further adieu, I give you Premier Ralph Klein.

Ralph Klein

Good afternoon, ladies and gentlemen.

For me, it feels right to be in a different part of Canada in autumn, because in many ways, fall is the truest "Canadian" season.

The air is turning colder and we all know what that means for the months ahead. The new hockey season has begun, meaning that for now at least, the Flames, the Oilers, the Leafs, the Canadians, the Canucks and the Senators are still in the thick of the hunt for the Stanley Cup.

And the Grey Cup is just around the corner. As you might know, the Grey Cup is being played in Alberta's capital city of Edmonton this year. I hope that many of you here today will get a chance to come out to Edmonton for the fall classic because it's going to be an incredible event for the CFL and the country.

So, when there's frost on the pumpkins, as they say, the character of this country stands out the most.

In Autumn 2002, the Canadian spirit has shone as brightly as a harvest moon, thanks to the work of hundreds of people in Ontario and throughout central and eastern Canada who organized and contributed to the Hay West campaign to help western farmers and ranchers hit by drought. The campaign has seen almost 8,000 tons of hay shipped free to farmers in the West.

Friends, let me tell you, the people of Alberta have been moved beyond words by the generosity of the people of this province and your neighbours to the east. On behalf of all Albertans, I want to thank the people of Ontario for their kindness and hard work.

Though thousands of kilometres separate the farms of Alberta from the rail yards of Ontario, the warmth of the Hay West people has taken the edge off the fall chill and made us feel like closer neighbours. That's something that Albertans will not forget.

Hay West has been a uniquely Canadian approach to a tough Canadian problem. It has united people from across the country in a common purpose. I think that resolve can be applied to another challenge we face this autumn—the challenge of climate change.

For many Canadians, events of the summer and fall have made the threat of global warming seem very real. From the drought in the West to heat waves in Ontario, Canadians have had concerns about climate change. They want their governments to do something to be part of the solution.

Today, I want to talk to you about Alberta's approach to climate change that is designed with Canada's economic and geographic circumstances in mind. I want to lay out for you why Alberta thinks the Kyoto Protocol is not the best approach for Canada.

Let me begin with a simple point: Canadians have the know-how and the resolve to tackle this problem.

For proof of that, you don't need to look any farther than right here in Ontario. As we're all aware, there's a smog problem here in Toronto and elsewhere in the southern part of the province. In response, the Ontario government, working with industry and consumers, has introduced a set of actions that aim to reduce smog emissions. Combining steps ranging from vehicle emission testing to emission-trading mechanisms, the plan is an effective Ontario solution to a continental problem.

We've had a similar kind of success in Alberta. There, the problem was solution gas flaring from oil and gas operations. Flaring releases a number of gases into the atmosphere, and it was clear that those emissions had to be reduced.

So, under a partnership of government, industry, municipalities, consumers, and environmental groups, programs were designed that, in 2001 alone, reduced solution gas flaring by 53 per cent. The flaring reduction programs were designed in concert with the people doing the flaring and the people experiencing the impacts. Solutions were not imposed; they were negotiated. Industry was not threatened; it participated enthusiastically. Citizens were not ignored; they were heard and responded to.

Climate change is a different kind of problem, to be sure. But this same type of bottom-up approach can work in Canada's solution to the climate-change issue. Together, Canadians can come up with solutions that build on the country's strengths, and that make the best use of Canadian ingenuity and Canadian resolve.

In Alberta, our government has recently released a detailed plan to reduce greenhouse gas emissions. The plan is built around three basic concepts: making the best use of clean technologies; providing information to consumers; and setting firm, achievable targets for emission reductions. Under the plan, Alberta expects by 2010 to reduce its greenhouse gas emissions by about 20 megatonnes, with reductions of up to 60 megatonnes achieved by 2020.

We'll do so by negotiating sectoral agreements with industries and municipalities—backstopped by regulatory authority. We'll invest in new technologies that reduce emissions. We'll provide information to consumers so they can cut emissions from their homes and vehicles.

It's not just government that has been working on the problem. The energy industry has made remarkable strides in reducing greenhouse gas emissions. At the two main oil sands plants, for example, they've invested billions in clean technologies that have helped them reduce emissions from synthetic oil production by 35 per cent over the last decade, while at the same time creating jobs and growing as reliable providers of energy.

While I'm on the subject, permit me to talk briefly about what is happening in Alberta's oil sands.

Those sands contain more oil than all of Saudi Arabia. Along with offshore reserves in Atlantic Canada and other recent finds, Alberta's oil sands are more than sand; they are the promise of energy security for Canada for decades to come.

Many people don't realize that the economic impact of the oil-sands stretches much farther than northern Alberta. The National Oil Sands Task Force estimates that 27 per cent of all economic benefits from the oil sands accrue to people right here in Ontario. Businesses here are leading suppliers of the steel, machinery, equipment, cable, high-tech gear, and other goods and services that keep the oil-sands operations running. Today, approximately 32,000 jobs in Ontario are directly related to oil-sands projects.

Continued oil-sands investment is expected to result in an extra $50–100 million annually in Ontario government tax revenue.

It's not just Ontario that benefits. Studies show that about 60 per cent of all economic benefits from development of the oil sands occur outside Alberta.

Even the federal government benefits, with about 20 per cent of the net cash flow from the oil sands going to Ottawa in the form of income taxes. That's billions of dollars for federal expenditures such as health care, environmental protection and equalization payments.

Right now, there are $60-billion worth of new investments planned for the oil sands over the next 10 years. Those are dollars whose benefits will ripple across Canada. Those investments, in fact, will likely result in over $16-billion worth of increased activity in Ontario alone.

If the tremendous potential of these economic drivers is dampened—as it will be if Kyoto goes ahead as written—then all of Canada will feel the impact. I don't think anyone here today wants that to happen.

Certainly, Albertans don't. That's why our climate-change plan has been designed to tackle climate change without compromising the economic potential of the province or country.

Later this fall or perhaps early next year, our government will introduce a bill in Alberta's Legislature to make adherence to this plan the law. We're serious about tackling climate change, and this law will prove that.

So, you might ask, if Alberta is ready and willing to take action on climate change, and if it can meet the Kyoto targets, why fight the Kyoto Protocol? Why not just sign the darn thing?

That's a very good question. And I've got a very good answer.

The protocol assigns to Canada the responsibility of reducing its greenhouse gas emissions to 6 per cent below 1990 levels by the year 2012. Under the protocol, international inspections of Canada's record will begin as early as 2005. Further reductions are called for in the later phases of the protocol.

So what's wrong with that, you might ask. Well, first off, the targets are not realistic. A 6-per-cent reduction from 1990 levels might not sound like a lot. But you have to realize that because of economic growth over the last 12 years, getting 6 per cent below 1990 levels requires a 30-per-cent reduction in today's emissions.

Thirty per cent is a lot. That would be like grounding every third airplane in Canada, or locking up every third car, or shutting down every third electrical plant. And, we've only got seven years and two months to start showing results, or our knuckles will be rapped by UN bureaucrats.

The second problem with Kyoto is that its targets ignore the realities of the Canadian economy. If Canada ratifies Kyoto, it will be the only country in the western hemisphere that must meet targets under the protocol.

With those targets come high costs. Canada's greatest trading partner and greatest source of investment capital, the United States, will not be bound by Kyoto targets. Nor will Mexico, a growing trade partner. Nor will Venezuela, Saudi Arabia or Nigeria, our major energy competitors. Under Kyoto, Canada will be competing globally with one hand tied behind its back because of costs inflicted by Kyoto that others won't have to bear.

I know that my critics have said that Alberta is opposing Kyoto only to protect its own big-energy interests. I don't deny—or apologize—that our concern as a province is in part for our energy sector.

What we're trying to protect, however, are the jobs of average Canadians, including Albertans, who have worked hard to build an energy industry that helps provide all of Canada with the cheapest, most stable source of energy in the world.

Recently, the federal government released a paper that predicts that job losses from Kyoto will range from 67,000 to 240,000, and that most of those jobs are ones that haven't even been created yet. "That's not too bad," they say. "We can live with that."

Well, I can't live with that. Each one of those jobs is a Canadian's future. Whether it's 67,000 or 240,000, whether it's a current job or a job that might be there in a few years for a kid who's in school today, sacrificing those jobs is entirely unnecessary. Friends, these jobs will be from all across the country. Kyoto will affect agricultural producers, manufacturers, small businesses and many others in every corner of Canada.

Canada's auto manufacturers, based right here in southern Ontario, have gone on record with their concerns about the impact of Kyoto. The Canadian Vehicle Manufacturers' Association has said: "If Canada ratifies the Kyoto Protocol in the absence of its major trading partners, this action would have no measurable impact on global carbon dioxide emissions, but could have a very negative impact on our businesses in Ontario." Based on the federal government's own numbers, which are considered optimistic, the automakers predict that 40,000 to 80,000 jobs could be lost in their industry if Kyoto is ratified.

There are many other problems with Kyoto. The protocol is not about clean air; it's about carbon dioxide emissions. It isn't designed to address the problem of other emissions into the air across the globe, emissions that create the smog that worries so many of us. Any residual benefits from Kyoto in dealing with smog will be minimal at best.

Further, it moves dollars out of the country. As it stands right now, Canada could potentially spend from $2–6 billion in purchasing international emission credits. That's money that'll leave the country forever, without reducing emissions whatsoever.

What do I mean by that? The biggest source of credits under Kyoto will be the countries of the former Soviet Union. They will have surplus emission rights to sell to countries like Canada. Under Kyoto, we'll send cash to those countries in exchange for their credits, while no emissions are actually eliminated.

What Alberta proposes is keeping that money here in Canada, using it to develop cutting-edge technologies, and getting those technologies into countries where emissions are much higher than they are here, so that those emissions can be reduced.

These facts are why Alberta says: "Let's not go the Kyoto route." Let's take on global warming in proven ways, that protect the jobs of Canadians and the future economic growth of every region of this country. That balance can be attained, as governments in this country have proven over and over again.

I've often said I don't want a fight with the feds over Kyoto. What I'd like, and what I think all provinces would like, is the chance to sit down with the feds and have a meaningful, substantive dialogue about climate change in this country that respects jurisdictional differences and responsibilities.

The feds can't do it without the provinces, the provinces can't do it without each other, and no one can do it without the participation of Canadians.

Now I have to say that the federal government is expected to formally present an implementation plan to the provinces next Monday. That will at least give us something to examine and evaluate. Over the next couple of weeks, Alberta will take a close look at what Ottawa has proposed.

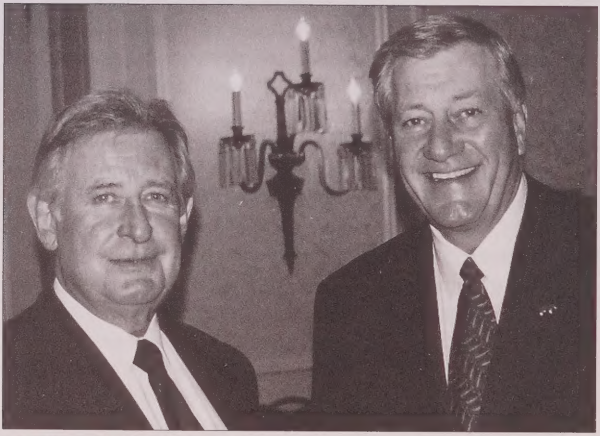
But I'm still very concerned about having a plan imposed on us. That isn't working together. And, considering that provinces have the constitutional jurisdiction over resources, and share jurisdiction over the environment, I don't think it's a fair way.

Friends, the issue before Canadians is not Kyoto versus nothing. Don't let anyone tell you that Alberta is recommending that Canada do nothing on climate change. No, the issue is Kyoto versus a made-in-Canada approach.

This great country is more than capable of contributing to the global-warming solution. The resourcefulness of this country is unmatched in the world. If we come together, if we commit ourselves to realistic goals, then we will make a difference in the battle against global warming. We will reinforce our position as a world leader in environmental stewardship, and we will contribute in a way that makes every Canadian proud.

Ladies and gentlemen, thank you for your kind hospitality today, and for the opportunity to meet with you.

The appreciation of the meeting was expressed by Nancy Lockhart, President, The Canadian Club of Toronto, Chief Administrative Officer, Frum Development Group and Chair, Ontario Science Centre.



The Hon. Ralph Klein, Premier of Alberta and The Hon. Mike Harris, Chair, Ontario's Promise and Former Premier of Ontario.

October 31, 2002

Gary B. Bettman

Commissioner, National Hockey League

THE NHL AND HOCKEY IN CANADA

Chairman: **Ann Curran**
President, The Empire Club of Canada

Head Table Guests

Bill Laidlaw, Immediate Past President, The Empire Club Of Canada; David Kochanowski, OAC Student, North Toronto Collegiate Institute and President, Boys Athletic Association; The Rev. Stephen Peake, Rector, St. Thomas Anglican Church, Shanty Bay; Keith Pelley, President, TSN; Ken Dryden, Executive Vice-President, Maple Leaf Sports and Entertainment Ltd.; Rick Brace, President, CTV Inc.; Richard A. Peddie, President and CEO, Maple Leaf Sports and Entertainment Ltd.; Col. Frederic L.R. Jackman, CStJ, PhD, LLD, President, Invicta Investments Inc. and Past President, The Empire Club of Canada; Douglas E. Grundy, Director, Greater Toronto Hockey League and Partner, Fasken Martineau DuMoulin LLP; George Gross, Sports Media Canada; Nancy Lee, Executive Director, CBC Sports; and Steve A. Stavro, Chairman, Maple Leaf Sports and Entertainment Ltd.

Introduction by Ann Curran

Gary B. Bettman is the first commissioner in National Hockey League history, having been elected by the Board of Governors on December 11, 1992. He began his tenure on February 1, 1993. Under his direction, the league has experienced a period of unprecedented growth, most notably in the areas of expansion, broadcasting and marketing.

Under Mr. Bettman's leadership we have seen the broadcasts of NHL games returned to national network television in the United States for the first time in 20 years in a partnership with ABC and ESPN/ESPN 2, which brings NHL games to more than 85 million homes nationwide. This year, the NHL reached a five-year agreement with CBC and TSN for national English-language telecast rights of games in Canada, which gives Canadian viewers the opportunity to see a minimum of 112 regular-season games, up from 94 over the past season.

Mr. Bettman's other accomplishments as commissioner reflect his commitment to stability. The NHL will have enjoyed a full decade of labour peace by the conclusion of the current collective bargaining agreement with the NHL Players' Association in 2004. In addition, the NHL and the NHL Officials' Association recently agreed to terms of a collective-bargaining agreement that is scheduled to run through the 2004–05 season.

Commissioner Bettman has also placed a premium on building and nurturing the sport's fan base through grass-roots initiatives that bring hockey to more youngsters than ever. These programs include NHL Street and the NHL Diversity programs. In addition, the league's Web site, nhl.com, has created a global hockey portal that most efficiently serves the league, the clubs and the fans.

While continuing to provide high-calibre product on the ice, Mr. Bettman also has focused attention on the league's international makeup and appeal. In 1998, Mr. Bettman led the NHL to its first Olympic winter games, with NHL players stocking the rosters of six world-class teams. It was estimated that more than 38 million people watched the Olympic gold-medal game in the United States. In Canada, the matchup was the most-watched television program in history. As a further testament to the league's international appeal, NHL regular-season and playoff games are seen in more than 160 countries worldwide.

Last but not least, changes to the game at the start of the 2002–03 season have begun to address the issues that concern the media, the sponsors and most importantly—the fans. Mesh has been installed above the glass at both ends of the ice in all arenas of the NHL as a direct consequence of the fatal injury suffered by a young fan last year. Also, the "hurry-up" faceoff rule, employed in last year's Winter Olympics, has been instituted in order to speed up the game and enhance the experience of the viewing public.

Before being named Commissioner of the NHL, Mr. Bettman served 12 years with the National Basketball Association, attaining the position of Senior Vice-President and General Counsel. Prior to that, he was associated with the New York law firm of Proskauer Rose Goetz & Mendelsohn.

Mr. Bettman is a native of Queens, NY and graduated from both Cornell University and the New York University School of Law.

Ladies and gentlemen—Gary Bettman.

Gary Bettman

Thank you very much Ann.

It is a pleasure to be here today especially because it's a game day in Toronto.

The Maple Leafs, one of our senior franchises, are playing at home tonight against one of our youngest, the Atlanta Thrashers.

We are near the start of "Hall of Fame" weekend—a time when all of us in the community of hockey can honour the sport's grand history, pay appropriate respect to its present and cast an eye toward the future of the magnificent game Canada created and shares with the rest of the world.

And I would be remised if I did not pass along congratulations to George Gross on both his recent induction into the Etobicoke Sports Hall of Fame and his upcoming induction into the Slovakian Hockey Hall of Fame. Lot of halls for a terrific guy. Well deserved George.

Two nights from tonight, the Montreal Canadiens come to Air Canada Centre to rekindle an "original six" rivalry. "Hockey Night in Canada" will cover it as a marquee matchup, just one day after the actual 50th anniversary of its inception.

On November 1, 1952, black-and-white sets in living rooms across the nation welcomed "Hockey Night" into Canada's consciousness. It has never left and it never will. The Maple Leafs beat the Boston Bruins 3–2 that night and a marvellous tradition was born.

How very far we've come since that remarkable evening and how very far we intend to go.

As I made my plans to be here today, I couldn't help but reflect on the mood of Canadian hockey fans in April, 1998, the last time I addressed a business luncheon in Toronto. At that time, the mood was one of concern.

The Canadian men's hockey team had just finished out of the medals at the Winter Olympics in Nagano. The women's team had just lost to the United States in their gold medal game. Minor hockey registration and the percentage of Canadian-born players in the NHL were both on the decline. It seemed that you could not pick up a newspaper or turn on the radio or TV without people focusing on problems of the game, at all levels.

Fast forward to 2002 and it's amazing how two gold medals and an increase in the number of Canadian-born players in the league for the first time in four years can change the mood of an entire country when it comes to this great game.

But it goes so much deeper than that. After the doom and gloom of years ago at the grass-roots level, the vital signs are encouraging. After several years of declining enrolment in minor hockey through the late '90s, we have seen a reversal of that trend among males. Over the past two years, registration has actually grown.

And there has been a remarkable increase in females playing the game over the past two years. Registration has grown by more than 25 per cent.

And I am pleased that we are joined here today by a woman who has done as much for this growth as any individual over the last decade—the captain of the gold-medal Canadian women's team, Cassie Campbell. Cassie, you are a great role model for the youth of this country and we wish you well in the upcoming four-nations tournament in Kitchener next week.

The NHL's connection to minor hockey in this country is very important to us. Earlier this year, in what is the first agreement of its kind between a national governing body and a professional sports league in North America, the NHL and the Canadian Hockey Association formed a partnership with the objective of strengthening the game at the grass-roots level.

One of the first results of this relationship is a new video to be shown to all minor hockey players and coaches. It is entitled “Smart Hockey,” in which several NHL players, including Mats Sundin, Martin Brodeur and Trevor Linden provide tips to youngsters on how to play the game more safely.

As in any community, we learn from each other. Earlier this month, the coaching staffs of the Senators, Maple Leafs, Oilers and Flames, in partnership with the CHA, staged coaching clinics in Toronto and Calgary for more than 5,000 minor hockey coaches from across Ontario and Alberta.

Hockey is Canada’s game, and hockey in Canada is family life, school life and community life. Let me illustrate.

The Columbus Blue Jackets spent five days of their training camp this September in Summerside, Prince Edward Island, the hometown of Club President and General Manager Doug MacLean. The team participated in a number of community-based fund-raising events—golf tournaments and inter-squad games—and raised $25,000 for minor hockey.

Almost one-third of the town’s population of 16,000 huddled, shoulder to shoulder, in the wooden bleachers of Cahill Stadium, sat on the stairs in the aisles and stood two-deep in the standing-room area, all to get a glimpse of the practice of a team that plays its home games some 2,500 kilometres away!

There was a similar scene in the village of Chester, Nova Scotia, where the Ottawa Senators travelled for a portion of their training camp. More than 600 hockey fans—mostly children—packed the local arena to watch the Senators participate in a midday 90-minute practice. A practice—and on a school day no less!

And what better sign of the place that this game holds in the heart and soul of Canadians than was in evidence at the other end of the country—in Vancouver, a couple of weeks ago, when Queen Elizabeth attended her first NHL game in more than 50 years. I had the pleasure of being in Vancouver to witness firsthand the special bond to the monarchy. In fact, if we go back to the 1890s, we know that the sons of Lord Stanley introduced the game to several royal princes on a frozen pond at Buckingham Palace. The Stanleys, of course, became hockey devotees while living in Ottawa, where their father was Governor General and donated a silver punch bowl to be awarded annually to the best senior hockey team in the Dominion of Canada.

It seems that so many important anniversaries in this country are marked by hockey events. The celebration of one such important anniversary gripped the country in recent weeks as members of Team Canada '72 gathered to celebrate the 30th anniversary of their historic Summit-Series win over the Soviet Union. Four members of that team are with us here today and I would like to take a moment and salute Ken Dryden, Ron Ellis, Frank Mahovlich and Rod Seiling for their roles as great NHL players and pioneers on the international hockey stage.

On the heels of the commemorative Team Canada celebration was another national event. Like tens of thousands of others, I followed with both interest and amazement as every-day national and worldwide issues took a back seat to the "does he stay or does he go" debate. Yes, the outpouring of emotion evoked for "Hockey Night in Canada" host Ron MacLean was extraordinary. It's great to have Ron back and I look forward to my next interview on "Hockey Night." His grasp of the issues is first-rate, and as we proved when I was last on the show, it makes for gripping television.

All of our clubs are integrally involved in grass-roots programs in their communities. Juxtaposed with these are the harsh business realities that all of our clubs—but particularly our Canadian teams—continue to face.

A couple of examples…

On the same day that the Blue Jackets were playing to a packed house in PEI, Edmonton Oilers' President Patrick LaForge and GM Kevin Lowe were in Saskatchewan, addressing the Saskatoon and District Chamber of Commerce on the benefits of that community supporting the Oilers by purchasing tickets to games in Edmonton.

The Calgary Flames have recently undertaken a similar strategy in southern Alberta. While the club held an open practice in front of more than 400 fans in Red Deer, Flames President Ken King held a reception for more than 600 people representing small businesses and corporations.

It is all part of a refocused regional ticket sales approach that our Canadian clubs must undertake to ensure their continued financial viability.

Ottawa business leaders have joined together in an organization called the Silver Sticks to increase awareness among small business owners that season tickets are crucial to any club and have set an objective to sell over 2,000 season tickets through December.

This organization is modelled after the success of Edmonton's 50-member Copper Jackets efforts, started in 2000, and which now gives Edmonton a season ticket base of over 15,000.

Right here in Toronto, the Leafs have an aggressive fan-development program that is focused on bringing many diverse communities into the game.

This initiative, called the "Coaches helping Coaches Minor Hockey Festival," featured some of the game's best minds helping to educate minor hockey coaches. Pat Quinn and Ottawa's Jacques Martin participated this year and over 1,200 coaches benefited. And that means 17,000 kids also will benefit.

And our NHL community members contribute in a big way financially. In the past five years, our Canadian clubs have given over $26 million to local charities. In the last year alone, our Canadian clubs have raised over $8 million with the participation and support of our players.

In each of our NHL cities, players have purchased suites or tickets and each night donate them to kids so they, too, can be part of the game.

These individual contributions, such as Mats Sundin's Captains Corner in the Air Canada Centre and the Nazzy Suite in Vancouver, purchased by Markus Naslund, represent the commitment of our players and club management to be outstanding members of the community.

Any community is built on relationships, and that certainly is evident in the partnerships that the NHL has here in Canada.

The league has renewed with CBC and I would like to recognize and thank Nancy Lee for the long-time partnership that the NHL and "Hockey Night in Canada" have shared. "Hockey Night" is the longest-running show in broadcast history and there is no greater Canadian institution or one that matters more to Canadians as we all witnessed a few weeks ago.

I would like to welcome TSN back to the NHL family. With the efforts of Rick Brace and Keith Pelley, Canadian hockey fans are already seeing the dedication and passion that TSN brings to viewers across the country.

We're also extremely pleased about our new, improved relationship with RDS in Quebec and we're delighted SRC will continue to participate with some Saturday night Canadiens games.

We renewed all our "centre ice" out-of-market digital broadcast deals, so all our partners on that end are back—with long-term deals that feature built-in growth and give our fans as many of our games as they want.

The NHL network is off to a good start, and we are finalizing a deal to bring it to carriers in the U.S.

I mentioned earlier that grass-roots programs are vital to our clubs and their communities and the same holds true for our marketing partners. Just two of many great examples come to mind in McDonald's and Esso.

McDonald's has been a valued partner of the NHL for more than 10 years, operating consumer-based programs at least twice each season across Canada.

Equally important is the support that McDonald's provides to the Canadian Olympic programs, as well as to minor hockey with their current "stop" or safety-towards-other-players program.

And Esso has been a phenomenal corporate supporter of hockey in Canada over the past 70 years. We are thrilled to be in the midst of a seven-year partnership with Esso and to work together in our support of grass-roots initiatives across the country such as the recent "get cup crazy" campaign.

Our partners at all levels have provided exceptional support for our initiatives at the grass-roots level, but, as you know, the professional hockey business component faces significant challenges as we look ahead.

I don't want to dwell on this, but I can't go anywhere without being asked so let's get it out of the way.

We have had phenomenal revenue growth over the last 10 years, but as fast as we've been able to grow revenues, player salaries have grown even faster. This has resulted in a disparity between revenue and expense and a disparity among our teams in terms of what they can afford to spend, which, as in all sports, is exacerbated by big market/small market issues. In our case, the issue is even more troublesome due to the currency challenges faced by our Canadian franchises.

Everyone knows the issues. Everyone knows that I have tried to get the union to begin discussions. But, the union chooses not to, which is its right at this point. The union wants the status quo but the status quo is not going to work if we want—which we do—all clubs economically viable and competitive where they are currently located, particularly in Canada.

So it's my responsibility to ensure that the issues get fixed. But there is nothing we can do about it now. And, there is no point in dwelling on something that may be two years away. The problems will get worse and the solutions more difficult, but we have two seasons of hockey in front of us, so let's enjoy them and then we'll deal with it. The timing, for better or worse, is the union's call.

In the meantime, let's focus on the game.

Most of you have probably already taken note of the increased flow of the game with our move to the hurry-up line-change procedure. Through the early part of the season we have been able to shave about 16 minutes off the time of our games from a year ago. Our average time of game through the first few weeks has been about two hours and 20 minutes, and while it is too early to predict what the exact time for this season will be, I think it is interesting to note that it has been 40 years since our games were played, on average, in less than two hours and 20 minutes.

While professional sports have faced increasing criticism for games that are starting later and lasting longer, we have taken steps to ensure that the overwhelming majority of our games begin no later than 7:30, local time, so our young fans can enjoy the game.

More important than the actual time of games, however, is the better flow that we are seeing. The hurry-up line change has been a factor in this. But so too has been the work that Colin Campbell, Jim Gregory, Mike Murphy and Andy Van Hellemond have done with the standard of enforcement against forechecker interference, a.k.a. obstruction. Interference, holding, hooking and tripping have been issues that this game has had to address on a constant basis during our 86-year history. It's nothing new. Conn Smythe, in November 1926, said: "Each season there seems to be some new ruling invented or rather an interpretation of a rule that the referees all have different ideas about and which do not work out as planned. I am speaking about the interpretation of the interference rule."

The fact is that you could not find an era, and quite possibly a season in the 86-year history of the league when this issue has not been a focal point at some point. Our challenge, when we started addressing this issue more than a year ago, was to adopt a standard that would work from game #1 of the regular season through to the Stanley Cup finals. Unlike previous attempts to address this issue in 1995 and 1998, we simplified the focus. We identified an important aspect of the game, forechecking, that has been lost because players could not get into the offensive zone in recent years because they were being held, hooked or tripped.

The next challenge was to communicate the standard effectively, and we did that when, for the first time, we gathered general managers, coaches and referees and linesmen in one room here in Toronto last month to discuss the issue.

We feel, based on the games to date, that the coaches have effectively communicated the standard to the players and while we're off to a good start in this regard, it is hardly a reason to celebrate. Only by season's end will we be able to take stock of how effective we have been and that is why every game, every night, is being watched by our hockey operations staff here in Toronto. The officials, and now there are two referees, are being evaluated on a nightly basis and when there are issues we are communicating with the referees immediately.

We have taken these steps because the game deserves them and our fans deserve them. We must respect the legacy left us by the builders of the game, the people we venerate just three short blocks away in the Hall of Fame and the community of hockey, led by the people of Canada.

Where else in the world can you find a sport depicted on a country's currency as hockey is on Canada's five-dollar bill?

Where else in the world is there an annual tribute to a country's sports heroes on a series of stamps, as Canada Post does to honour all-time NHL greats?

Where else in the world can you find signs on residential streets that read "hockey playing prohibited" and have people debate the merits of such a law?

Where else in the world do former professional athletes give back to the game by way of purchasing and operating minor teams to the level that we see with both former and current NHL players such as the Hunters, Ciccarellis, Sutters, Vanbiesbroucks, Niedermayers, MacDermids, Carbonneaus, Savards, Quinns and Howes—all of whom are involved with Canadian junior hockey?

Where else can the world junior hockey championships be staged as they will be in Halifax and Sydney in less than two months—as they were in Montreal, Hamilton, Saskatoon, Red Deer and Winnipeg previously—and find, in addition to upwards of a million people tuning in to TSN, a record quarter of a million tickets already sold and 1,200 volunteers ready to do everything and anything to guarantee the tournament's success?

And where else in the world does a national broadcaster devote an entire day to promoting any sport at all levels as CBC has each of the past two years and as they will do again on February 15 from Canada's far north with "Hockey Day in Canada" from Iqaluit.

The answer is nowhere else.

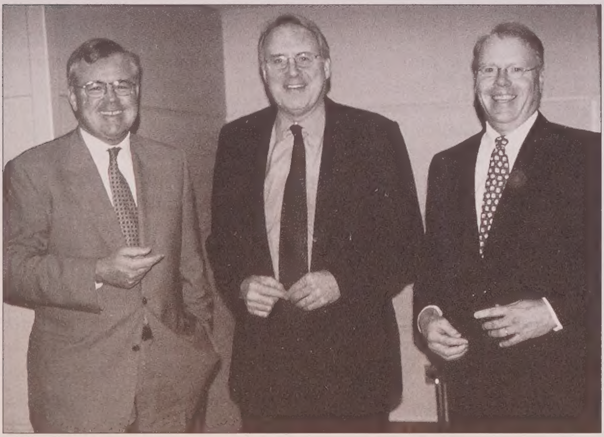
For what will be 10 years in this position this February—time indeed does fly.

I have said repeatedly that I believe that the future of hockey is both strong and vital. But that future does not mean that we can take our sport for granted. Care of it must be constant, and to the extent there may be problems, they must continue to be addressed.

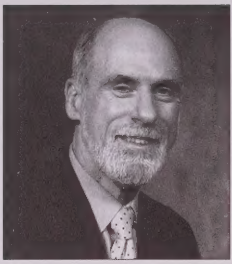
We cannot allow—I will not allow—Canada's gift to the world to diminish here in its home country. We must—and we will—continue to work to strengthen the game from its smallest grass roots to its mightiest franchises. Hockey has given us so much for so long, we are duty-bound to give back to it.

Thank you for giving me the opportunity to speak with you here today.

The appreciation of the meeting was expressed by Bill Laidlaw, Immediate Past President, The Empire Club Of Canada.



Bill Laidlaw, Immediate Past President, The Empire Club of Canada, Ken Dryden, Executive Vice-President, Maple Leaf Sports and Entertainment Ltd. and Douglas E. Grundy, Director, Greater Toronto Hockey League and Partner, Fasken Martineau DuMoulin LLP.



November 14, 2002

Dr. Vinton G. Cerf

Senior Vice-President, Internet Architecture and Technology, WorldCom

INTERNET—MIRROR OF MANKIND

Chairman: **Ann Curran**
President, The Empire Club of Canada

Head Table Guests

Heather C. Devine, Associate, Fasken Martineau DuMoulin LLP and Director, The Empire Club of Canada; Avrum Laurie, Honours OAC Student, North Toronto Collegiate Institute; The Reverend Vic Reigel, Christ Church, Brampton; Tom Copeland, Chairperson, Canadian Association of Internet Providers; Robert Quance, Vice-President, International Sales, WorldCom Canada Ltd.; John C. Koopman, Partner, Heidrick & Struggles and 1st Vice-President, The Empire Club of Canada; Derek K. Chan, Student of Computer Engineering, McMaster University; and Kevin Sheldon, Vice-President, International Sales, WorldCom Inc.

Introduction by Ann Curran

Prior to our luncheons it is not unusual for me to go to a corporate Web site, download some relevant information from our speaker's biography and incorporate it into my introduction.

Let me tell you that was no easy task when it came to today's speaker. He has done so much it is hard to know where to begin. Where as most professionals have one biography Vinton Cerf has three. That's right—three. This man has accomplished so much that he has a professional CV, a professional biography and a personal biography. His professional CV alone covers 10 pages.

I'm going to give you a very brief overview but encourage all of you to visit our Web site to appreciate the numerous awards, nine honorary degrees from around the world and 53 publications this man has under his belt.

Vinton G. Cerf was born in New Haven, CT on June 23, 1943. He has a BSc in Math and Computer Science from Stanford University, Stanford, CA 1965, a MSc in Computer Science from the University of California, Los Angeles, CA 1970 and a PhD in Computer Science from the University of California, Los Angeles, CA 1972.

Since November 1999, Vinton Cerf has been the Senior Vice-President of Architecture and Technology for WorldCom. Dr. Cerf's team of architects and engineers design advanced networking frameworks including Internet-based solutions for delivering a combination of data, information, voice and video services for business and consumer use.

Widely known as one of the "Fathers of the Internet," Dr. Cerf is the co-designer of the TCP/IP protocols—the method by which data moves around the Net—and the architecture of the Internet. In December 1997, President Clinton presented the U.S. National Medal of Technology to Vinton Cerf and his partner, Robert E. Kahn, for founding and developing the Internet.

While most people would have rested on their laurels after such an accomplishment, Dr. Cerf remains committed to extending the tremendous gains of the digital age. He is deeply involved in the day-to-day business of building the future—from the infrastructure for e-business, to the wireless Web, to the next-generation Internet and beyond.

In his address to us today, Dr. Cerf will review the current status and scale of the Internet and some of the applications that are driving its further development. He will discuss the multi-faceted use of the network as video, voice and data are carried as packets through a common infrastructure, the regulatory side effects and the economic factors that will also play a defining role in the network's evolution.

Dr. Cerf will also offer a status report on the design and implementation of an interplanetary extension of the Internet. This project at the Jet Propulsion Laboratory at the California Institute of Technology is part of a more general effort to upgrade the Deep Space Network (now called the Interplanetary Network).

Without further ado I give you Dr. Vinton Cerf.

Vinton Cerf

Madam Chairman, Mr. President, distinguished guests, members of the Empire Club, ladies and gentlemen, I feel very honoured to have this opportunity to address the Empire Club. It is truly humbling to read the list of your previous guest speakers and I consider it a special privilege to stand where so many have stood before.

My topic today is the Internet. What is its status today? What can we learn from its nearly 40 years of development? What issues does it raise today and will it likely raise in the future? And what can we say about that future, here on planet Earth and in the rest of the solar system? I will try to touch on many of these points in the time available.

To begin with, it is important to remember that the Internet is not one network but rather a network of networks. It was conceived as such in 1973, when Robert Kahn and I first started working on its design, developing these concepts from the foundations laid by its progenitor, the ARPANET, that was developed in the late 1960s and was itself based on concepts explored in the early parts of that decade by a number of researchers interested in data communications and in particular what we now call "packet switching."

The multi-network architecture of the Internet has allowed it to grow by the aggregation of an increasing number of networks into its structure. I would estimate that there are probably hundreds of thousands of networks making up the public Internet today, including a great many small, private networks in homes and enterprises, as well as globe-girdling backbones owned and operated by major telecommunications carriers.

At the core of the network's design is the so-called Internet Protocol or "IP." It is the principal element that all computers participating in the Internet have in common. It is this protocol and its associated address structure that enable all the networks and hosts at the edges of the Internet to communicate with each other.

It was estimated in May 2002 that there were about 580 million users on the Internet, having grown to that scale from about 50 million in July 1997. Of those nearly 600 million users, about a third are in North America, a third in Europe and a third in the rest of the world. In roughly the same five-year interval, the number of servers on the Internet grew from 22.5 million to about 162 million, not counting a likely much larger number of PCs and other client devices including Internet mobile phones and personal digital assistants. While these statistics are small relative to the world's population, they are still impressive for their absolute magnitude. My estimates are that the number of users on the Internet will increase to as many as 2.2 billion by the year 2010. The number of devices on the Internet is also likely to increase dramatically over the next several years with an estimated 2.4 billion devices by 2006, including about 1.5 billion Internet-enabled mobiles and 900 million other clients and servers.

Indeed, it appears almost certain that a very large number of devices will find their way onto the Internet, including a good many household items including refrigerators, picture frames, washing machines, television sets, and ordinary desk telephones. Outfitted with a barcode scanner, an Internet-enabled refrigerator would know what was inside itself by scanning barcode labels as items are put inside. It could use this information to surf the Internet for recipes it knows could be made with the refrigerator's contents and display these on its flat panel display when you return home from work. Of course you might receive an e-mail from your refrigerator while you are on vacation warning you that the milk is three weeks old and about to walk out on its own if you don't come back and do something about it. Or perhaps the refrigerator will page you while you are grocery shopping to remind you to pick up the marinara sauce for a spaghetti dinner it suggests you can make.

The Japanese have developed an Internet-enabled bathroom scale that sends your weight to the doctor when you step on the scale. What happens if the refrigerator gets the same information? Will you come home to see diet recipes on display? Or perhaps the refrigerator will simply refuse to open because it knows you are on a diet.

I opened a bottle of wine recently only to discover that it had turned bad. I began to speculate on how information might be captured and stored in a passive memory in the wine cork itself. Similar devices are used in toll-road applications, for example, to respond to a stimulus to emit a stored billing identifier. One could imagine a memory device in each wine cork that could track location, temperature, humidity and date/time information that is periodically updated by the wine-storage system. When you open the wine and it's bad, you could interrogate the cork to find out the history of the wine's making and storage. While this is, of course, rather a flippant idea, similar concerns about food and drug storage are of more interest, to say nothing, in general, of capturing repair and usage history for any of a variety of appliances and vehicles. Placing a "memory patch" on any tool or item and using that to record history may be a very useful concept. Obviously, one might need to use digital signature technology to identify and authenticate the source of the records and also to confirm that the record had retained its integrity (that is, was not subject to tampering). One concrete example of such a technology is an uneraseable optical storage medium.

I think it is quite reasonable to anticipate that billions of devices will be Internet-enabled over the course of the next two decades and that we may find scores if not hundreds or even thousands of such devices per person on the network.

I would like to turn to a very different set of topics in the time I have remaining. In particular, I want to draw attention to the growing importance of policy issues surrounding the development and use of technology. As important and as challenging as technology development and deployment has been for the Internet, it seems to me that policy issues now outweigh technology in terms of the challenge they pose to lawmakers, law enforcers and citizens.

A representative list of policy issues surrounding the Internet would have to include privacy, security, intellectual property protections, domain name assignment, Internet address allocation, e-business dispute resolution, dealing with on-line fraud and other abuse (such as spam), censorship, taxation, regulatory policies especially as related to broadband access, and cryptography and its use and/or export. And this is plainly only a partial list of a much longer collection of topics that either now or will in the future challenge lawmakers. There are business-model questions that might not quite fall into the policy category but come close. I would like to spend some time on these as well.

Taking business models first, the Internet is driving the telecommunications environment towards fixed-price services. Not simply flat-rate but fixed-price. Dedicated access links to the Internet are already fixed-price. Services that were historically rated per minute and are shifting to fixed-price frameworks. Even in mobile telephony, we are seeing an increasing number of minutes made available for a fixed price per month after which charges per minute apply. As we move towards the use of the Internet for all media (radio, TV, telephony, etc.) its fixed-price service model will apply to all of these services as well. It is possible to augment the fixed-price model with transaction fees (pay per view, pay per download), but many traditionally priced per-minute services will fall into fixed-price structures when transported over the Internet.

This trend suggests that a re-examination of many business models will be induced by the adoption of the Internet as an underlying transport medium. The cost of keeping track of every packet sent on the Internet seems incompatible with the highly competitive Internet environment of today. In recognition of this trend, and the migration of voice services onto the Internet or Internet-based backbones, WorldCom has already adopted such a model for its consumer Neighborhood service and its business Connections service.

Turning to regulatory policy, the Internet can potentially introduce a dramatic change in perspective. Historically, telecommunication services have tended to be integrally bound to particular transport technologies. Telephony by twisted pair copper (at least in the last mile), radio by over-the-air signalling and, in the case of television, cable, terrestrial and satellite radio. These transmission methods are typically operated by monopoly providers (exclusive cable franchises, exclusive radio licenses, exclusive satellite channels, exclusive ownership of twisted pair copper resources, etc.). The services and the bearing carriers have typically been regulated as a package. But the Internet has the potential to change that. Virtually all of these services can be packetized and carried over the Internet. Consequently, the need to regulate the service may be eliminated and attention paid simply to the underlying transport system. If the system represents a monopoly bottleneck, it may need regulatory oversight to prevent anti-competitive abuse of control over the resource.

If I had a choice, I would very much like to see something happen in the Internet market that happened in the telephony world of the early 1980s. At that time, AT&T was the primary provider of telephony services in the United States. MCI argued that every subscriber should have the choice of using AT&T or MCI or other inter-exchange carrier and that this choice should be made by registration so that dialing a "1" would automatically select the inter-exchange carrier of choice, not only AT&T as had been the case.

The idea of choice suggests a regulatory framework for the Internet: subscribers should be able to reach any Internet Service Provider (ISP) over any access medium (cable, dial up, dedicated DSL, satellite, etc.). This is largely true for dial-up services. Any subscriber can reach any ISP over the public switched telephone network. I think this should be the case for all access methods. If we were to pursue these regulatory objectives, Internet services would be highly competitive over all media, subscribers would be guaranteed choice on any one medium and the actual application (television, radio, etc) would become an unregulated service.

In the United States it is often argued that cable modem service, digital subscriber loops and digital satellite all compete head-to-head for high bandwidth Internet subscribers. The facts suggest, however, that cable is largely a consumer service and that it is common that where cable Internet service is available, Digital Subscriber Loop service often is not. Thus these two media do not really compete. Similarly, digital satellite access to Internet services is often not available where DSL or cable service is offered. While this may change in the future, at the present it would appear that a better competition policy would open up these media to all ISPs rather than exclusively tying a single ISP, associated with the transmission provider, to the access medium. The refocusing on regulatory scrutiny on bottleneck transport systems that support Internet without prejudice to the supported applications is a significant but necessary change from present-day practices, in my estimation.

One of the other characteristics of most of the present-day broadband Internet access services is asymmetry.

Cable modems support much higher data rates from the network than to the network. Similarly for DSL and digital satellite. Until symmetric broadband services are available to customers, a number of server-based or peer-to-peer applications will not find fruition. Once services such as gigabit ethernet are accessible, users will be able to transmit as much as they receive, making residential servers a reality. Once upon a time it was speculated that no one would want a computer in his or her home. Now they are quite common and home servers may well be another surprise in the making.

Taxation is another contested policy area with strong arguments and feelings on all sides. The debates frequently centre on whether on-line transactions should bear sales or value-added taxes like their "real-world" counterparts. Even if the argument is accepted that transactions should be treated the same, no matter how they are conducted, there are complications. In the United States, for example, sales taxes are imposed in each state. In the real world, it is generally the point of sale that determines the nexus of the transaction. For transactions occurring in brick and mortar stores, location is generally clear, but for transactions consummated in cyberspace, it is not clear where the transaction should be deemed to have taken place. What one needs is an unambiguous way of deciding where each transaction has occurred.

One way to do this is to use the billing address of a credit card used to pay for the transaction as the location at which the transaction occurs. While there may be some infirmities with this idea, it does have the advantage of being unambiguous. Of course, this might lead to all kinds of schemes to register credit cards with billing addresses in favourable tax locations.

In my opinion, it is vital to develop a workable solution to this problem. If it is policy that on-line transactions are not taxed and an increasing fraction of transactions take place on-line, eventually that tax revenue will erode away, with all the negative consequences of the loss of an important revenue stream for state or municipal government.

Finally, in this discussion of policy, let me tackle censorship. Every Internet user is by now very aware of the diversity of content on the Internet. Our e-mails consist of significant amounts of unsolicited spam and the World Wide Web is filled with unsavory material. Efforts to curb Internet content have been made in many countries, mostly to little effect. In the U.S., laws that would require filtering of Internet content have twice been struck down by the U.S. Supreme Court as violations of the U.S. Constitution's first amendment. Similar efforts have been launched in Australia, France, Germany, Singapore, China, but with limited effect.

Like a piece of paper, the Internet does not know what is written on it. We are the writers on that blank paper. In truth, the Internet can be compared to a kind of mirror—it mirrors the interests of its users. With the rapid spread of access to the Internet, it has become clear that the Internet is now a mirror of mankind. If we do not like what we see in the mirror, the solution is not to re-touch the image in the mirror. Rather we must make ourselves over if we want the image to change. In the meantime, the Internet will continue to show us all aspects of our global society—the good, the bad and the ugly. As I use the Internet, I find a great deal of content to be admired, treasured and valued. I am persuaded that there is a lot more good to be obtained from a free flow of information than is to be gained by attempting to control Internet content—something that can easily stifle the very creativity that brought the Internet into being and sustains its growth today.

Technically it is very difficult to limit access to Internet content in a fair and equitable way. For one thing, at the level of operation of the ISPs, blocking access to Web sites tends to affect all users, including those outside the jurisdiction of the blocking agent. This extraterritoriality creates thorny legal precedents. The instruments available are blunt. If it were possible, a better strategy would be to filter content at the point of reception, but the technology of such filtering is still uncertain in its quality. Other attempts to identify the location of users so as to tailor Internet content presentation have been only partially successful.

Perhaps the price of an open Internet is the ability to see and hear some things we don't agree with. Critical thinking about what we see and hear may be the ultimate filter—something we can usefully teach our children and their children.

Switching now to my final topic—the expansion of the Internet into the solar system. For several decades, we have been exploring our solar system using powerful robots. The Deep Space Network (DSN) operated by the Jet Propulsion Laboratory in Pasadena, California is used to communicate with spacecraft that are moving past the planets, orbiting them and even landing on them. While efforts have been made to standardize the link level communication protocols used for deep space exploration, further standardization is required.

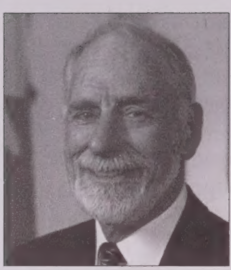
We can foresee a time when many robotic missions will be in operation concurrently, all requiring communication resources to return information and to receive new commands. Today, the mainstay of NASA's deep space system is JPL's DSN. The system is scheduled manually with enormous care and a great deal of effort. At JPL, a small engineering team in which I participate, has proposed a new set of protocols intended to ease the burden of scheduling the deep-space communication assets as well as those on board robots on the ground or in orbit around the planets. The conventional Internet TCP/IP protocols simply do not work well when the round-trip times are on the order of minutes to hours and potential discontinuity of communication could last for long periods of time. The team has developed protocols to extend the Internet concept to include the Solar System, overcoming the inability of today's standard Internet protocols to operate under conditions of high delay, frequent discontinuity, variable and asymmetric data rates, etc.

By outfitting each mission with a standard suite of protocols suitable for such operation, a backbone network can be accreted over time, each new mission supporting the communication needs of the next ones. The idea is not to build a backbone network in space and hope that it will be used. Rather, each new mission that is launched for sound scientific reasons would carry standardized software that allows all platforms to interwork and to make use of existing assets to support communication requirements.

If all goes well, we might anticipate a two-planet Internet in operation as early as the end of the decade, in 2010.

The appreciation of the meeting was expressed by Heather C. Devine, Associate, Fasken Martineau DuMoulin LLP and Director, The Empire Club of Canada.

John Smith, Past Chairman, EUCOCIT and Past President, British Canadian Chamber of Trade and Commerce and His Excellency Ambassador Eric Hayes, Head of the Delegation of the European Commission to Canada.



November 15, 2002

A joint meeting of The Empire Club of Canada and The Canadian Club of Toronto

The Hon. David Anderson

Minister of the Environment, Government of Canada

CLIMATE CHANGE AND THE KYOTO ACCORD

Chairman: **Ann Curran**
President, The Empire Club of Canada

Head Table Guests

Donald K. Johnson, Vice-Chairman, BMO Nesbitt Burns and Director, The Canadian Club of Toronto; Devon Paul, Senior Student, Parkdale Collegiate Institute; The Reverend Mary Pataki, Christ Church, Brampton; Neal J. Smitheman, Partner, Fasken Martineau DuMoulin LLP; John Mills, Regional Director General, Ontario Region, Environment Canada; Dr. Lawrence S. Erlick, President-Elect, Ontario Medical Association; C. Alexander Squires, Managing Partner, Brant Securities Limited and Secretary, The Empire Club of Canada; Quentin Chiotti, Director, Air Program, Pollution Probe; Bill Farlinger, Chairman, Ontario Power Generation; and Kathleen Freeman, Director, The Canadian Club of Toronto and Member, Immigration and Refugee Board of Canada.

Introduction by Ann Curran

David Anderson was born in Victoria, British Columbia. He attended both Victoria High School and Victoria College. At the University of British Columbia, he studied economics and law and was a member of the Rome Olympic and the Chicago Pan-American Games silver-medal rowing crews.

After graduation, he studied for two years at the Institute for Oriental Studies at the University of Hong Kong. He also spent six years with the Department of External Affairs, serving in Indochina, Hong Kong and Ottawa.

From 1968 to 1972, during his time as MP for Esquimalt-Saanich, Mr. Anderson founded and chaired the Special Committee on Environmental Pollution.

In 1972, he was elected leader of the Liberal Party of British Columbia and was elected MLA for Victoria in August of that year.

From 1975 to 1978, Mr. Anderson was counsel to the British Columbia Wildlife Federation and a consultant for Environment Canada. Later, he taught law at the University of Victoria's School of Public Administration.

Between 1984 and 1989, he served as member of the Immigration Appeal Board. From 1989 until his election in 1993, he returned to environmental consulting.

Mr. Anderson was elected Liberal MP for Victoria in the 1993 federal election and served as Minister of National Revenue from November 1993 to January 1996. As Minister, he streamlined border operations and increased enforcement on international smuggling.

In January 1996 he was appointed Minister of Transport where he developed links between transportation and tourism and assisted in the restructuring of Canadian Airlines.

Mr. Anderson was re-elected as MP for Victoria in June 1997 and was immediately appointed Minister of Fisheries and Oceans. Since his appointment, Mr. Anderson has been recognized internationally for his efforts on behalf of salmon conservation, established Canada's first Marine Protected Areas and initiated efforts to improve boating safety.

On August 3rd, 1999, Mr. Anderson was appointed Minister of the Environment.

On February 5, 2001, he became the first Canadian ever elected as President of the Governing Council of the United Nations Environment Programme (UNEP), the leading international forum for governments to address current and emerging environmental issues. He was elected for a two-year term.

In his address to this joint meeting, Environment Minister David Anderson will discuss why the federal government feels the Kyoto Protocol is the solution to the global challenge of climate change.

Minister Anderson will argue that if we want the rest of the world to act in a way that will lessen the effects of global emissions on Canada then Canada needs to be part of a global agreement. Canada is vulnerable to climate change and the federal government believes that ratifying the Kyoto Protocol will be the first step towards global agreement on this critical issue.

Ladies and gentlemen, Minister David Anderson.

David Anderson

Good afternoon, ladies and gentlemen and thank you Ann for that kind introduction.

I take great pleasure in speaking to The Empire Club of Canada today and, before anything else, let me salute you, as you get ready to start your centennial celebrations. Over the past century, this has become probably Canada's pre-eminent setting for talks on the major issues of our day. You certainly have developed a reputation for events that bring together both intelligent, interested audiences and the people who have something important to say.

So, I am proud to be on your agenda this afternoon. And I am especially proud to be here to talk about climate change and, more importantly, what Canada can and will do to help turn the tide of rising global temperatures.

Over the past few months, I am sure that you have heard a lot about the climate-change issue. It has become a focal point of attention in Canada, which is only good for an issue as fundamental as this one is.

But I think a lot of hot air has been generated over that time, too. So much so, I think we could meet our international targets just by bringing the temperature of the debate down a few degrees.

Today, I'm going to do my part. And I'm going to do that by focusing my remarks on two points that everyone here already knows.

The first point can be captured in one quote. "For many Canadians, events of the summer and fall have made the threat of global warming seem very real. From the drought in the West to heat waves in Ontario, Canadians have had concerns about climate change.

They want their governments to do something to be part of the solution."

The second point can be captured in another quote. Canadians have the know-how and the resolve to tackle this problem."

I agree with both statements. And I imagine that those of you who were here for Premier Ralph Klein's speech to this same audience three weeks ago also agree—because he's whom I just quoted.

That tells me that we are closer to common ground on climate change than some of the breathless headlines about the end of our economy and the end of our country would have you believe. It tells me, just as my conversations with provincial ministers, nongovernmental organizations and leaders from our private sector do, that we can build a plan that works for Canada—and we can get results that matter from all Canadians.

Today I want to work from the common ground that exists to clarify why Canada is moving forward on a made-in-Canada plan within a United Nations framework, the Kyoto Protocol, and equally importantly, why our government is confident in the ability of Canadians and Canadian businesses to find and use innovative solutions to the global challenge of climate change.

It's not surprising that Canadians should take the climate-change issue seriously. The international effort to address climate change began in earnest here in Toronto, back in 1988.

I am sure that this very hotel welcomed some of the 300 policy-makers, scientists, and leaders from business and environmental groups at the Toronto Conference. This city welcomed delegates from 46 countries to look at the issues and the options.

The work that started here in Toronto led to a 1992 international decision to stabilize greenhouse gas emissions to 1990 levels by the year 2000, on a voluntary basis.

In fact, my party's environment critic at the time thought that was too timid. He said, "We can begin by pressing for an international convention to reduce CO_2 emissions by at least 20 per cent. We should set an example by exceeding that target at home."

Our environment critic was Paul Martin. He recognized the value of real actions in real timeframes to get real results. Perhaps he knew that the voluntary approach wouldn't produce results. For it did not.

The international community saw the lack of results. Countries agreed that we needed to set targets to guide our actions. So in 1997, delegates met in Kyoto and the industrialized countries each identified the target they believed they could meet. They agreed on the 2008–2012 timeframe to reach or beat those targets.

That was the first stage. After that, we spent most of the following four years addressing complex accounting issues. That has involved compromises necessary to deal with the real world of diverse interests. That is how the United Nations works. But what shines through is that by setting targets and timeframes, we are taking the first step to get the world on the right path to a reasonable target.

As those of you in business know, getting results starts with setting a target that has meaning. And that was the focus of the UN approach—a target with a clear timeframe, a target with meaning and yes, a target that we can achieve.

The international community didn't swing for a home run. There was no suggestion that one decision one time would be enough. They built something that would be a first step. But a critical first step.

A first step that means developed countries, including Canada, get their own houses in order. A first step that really unleashes the power of innovation and new ideas. And a first step designed to get all countries to follow the trail we have blazed.

Now, there are people who will tell you that Kyoto is not about clean air and healthier cities. What they fail to realize is that wind and solar power don't produce smog; that with every reduction of fossil fuels, there is a reduction of NO_x and SO_2, the precursors of smog; and that hotter weather will also mean increased air pollution and "bad air" days. So our first step will also be a step that improves the health of Canadians.

Let me turn now to the plan that we are building in Canada. Remember, the UN approach to climate change incorporates targets and timeframes—the rest is up to us. Let me repeat that there is no international plan that tells Canada how to do it. We are talking about a Canada plan for Canada—made by us, for us. Just as there is a Finnish plan for Finland or Japanese plan for Japan.

And the plan for Canada is aimed at keeping costs down while maximizing the opportunity for Canadian technology.

The plan for Canada reflects the 1997 decision of the agreement between provincial and territorial leaders and Prime Minister Chretien that no region or sector will have to bear an unfair burden.

As part of that commitment, the process to define Canada's plan has involved work with the provinces and territories and stakeholders from the very beginning. Yet to hear some of the claims and scare stories, you would never know it. To hear those stories, you would never know that we have taken every step possible to address concerns about jobs and economic impacts.

You would never know that I, along with the Minister of Natural Resources, have met with our provincial and territorial colleagues at least twice a year. I have met with most of them individually many other times over the last 19 months. I offered to meet with all of them monthly if it would help, as we worked out the issues and the opportunities but surprise, surprise, they opted not to do this.

This has been more than just consultation on what to do. We have taken the consultative approach to a very analytical level.

A key to our planning has been the development of detailed economic models to tell us the potential economic impacts of different approaches to meeting our international targets. This has not been some process in Ottawa's back rooms. It has been a collaborative effort involving economists from the federal government and the provinces. Economists from the industries most concerned about the potential impacts of climate change—the oil industry, the chemical producers, manufacturers and so on—have been part of this process. We have drawn on the input and guidance of independent economic analysis firms, as well.

Every time there has been new information, the economists have refined the models accordingly. For example, when Canada negotiated credit for the impact that well-managed forests and agricultural lands had on greenhouse gas emissions last year, the economists put that information into the mix.

Most recently, our government used these models to assess the impact of our plan. The basis was a $10-a-tonne price for carbon. Incidentally the World Bank's carbon fund price is presently about US$3.50 per tonne.

So what does this analysis tell us? Let's start with jobs. The most recent economic modeling leads us to see 1.26 million jobs created by 2010 with ratification, compared to just over 1.32 million new jobs in a business-as-usual scenario.

That's a difference of 60,000 jobs over eight years. Right now our economy is creating 45,000 new jobs a month. That means the effect of doing our part to meet international commitments translates into a five-week delay in the total job growth over an eight-year period.

Having said that, I need to point out that these models are not good at taking into account all the jobs that would be created to meet our climate-change target because of the traditional assumptions they use. They don't fully capture the employment of new technologies and new markets being created for our environmental-industries sector, which already employs about 160,000 Canadians.

And the story doesn't end there. The most recent modeling shows a net increase of 6,200 jobs in Ontario's manufacturing sector over the next eight to 10 years, above and beyond normal job creation.

It will be thanks to the demand for more efficient machinery and more advanced transportation equipment, especially vehicles that Ontarians make. It will be thanks to the demand for the steel in those products. It will be thanks to the acceleration of trends that are already in our economy.

And it will be thanks to a Canadian-made plan that finds Canadian-made opportunities.

Will costs rise in a world where the carbon we release into the atmosphere has a price? The modeling projects cost minimal increases for natural gas and gasoline prices well within normal market volatility. The base scenario we have put to industry to reduce emissions by 55 MT by 2010 says the direct cost of a barrel of conventional oil would increase by about three cents, and for synthetic crude it would be 13 cents. The price of that barrel now is about $26 these days. And let me remind you that there are approximately 200 litres to a barrel.

Steel would go up by about three-tenths of 1 per cent.

The highest cost increases projected are for lime and cement production. Cement is projected to increase by 1 per cent—$1 on a tonne of cement. Lime by 2.5 per cent—$1.85 a tonne.

So, if the most likely job impacts and cost impacts are not only much less than the horror stories that groups are claiming, but in fact are surprisingly modest, what about the economic havoc that those same groups are predicting for industry?

Let me say flat out that the federal approach to climate change is pro-growth and pro-exports.

Take oil sands. Our plan expects more—not less—oil-sands production than we have today. Three times more.

Our plan expects more—not less—East Coast oil and gas production. Four times more oil production and a 50 per cent increase in gas.

Our plan expects more—not less—electricity production. Nineteen per cent more in New Brunswick and 32 per cent more in Alberta, for example.

Sounds pro-growth to me.

But will some sectors face costs in meeting their emissions reduction targets? Yes, and we have been consistently developing ways to help those sectors offset and control those costs. It has been part of our approach every step of the way.

Two years ago, our government initiated Action Plan 2000. It included a mix of actions, building on other initiatives we have been implementing that have us on target to achieve a third of our target.

The plan presented to the Energy and Environment Ministers of the provinces and territories last month identifies actions that would bring us up to three-quarters of our target. Many of them will help reduce the demand for the fuels that generate greenhouse gas emissions and others will ensure that we get the most efficient use of those fuels.

For example, we identified improvements we can make in transportation. We can bring about improved fuel efficiency, more use of alternate fuels, more efficient freight movement and increased use of urban transit.

We know there is a lot we can do to improve the energy efficiency of our homes, commercial buildings and the equipment and appliances inside them.

It is clear that large industrial emitters will need to be even more part of the solution than they have already become. And this will be where the use of market-based tools such as emissions trading will help to reduce costs and manage the risks of change and innovation.

We are working with industry to try to refine the plan and these discussions will continue.

We see a great potential in renewable energy and related innovations, including clean coal technology and process that will capture and store CO_2, rather than shooting it up into our atmosphere.

All this consultation helped to shape the draft plan that we have just released and, based on further discussions with the provinces, territories and other stakeholders, will be released in final later in November. But let me put "final" in context.

I am a yachtsman. I know that in a race you keep your eye on the finish line but you also watch the currents. You watch the winds. You trim your sails and you adjust your helm.

The same is true here. We intend to improve our plan as time goes on. We will work in new ideas and opportunities. We will stop what doesn't get the results expected. We will do more of what best gets results.

And remember, such a plan must take into account the environment in which it is meant to operate. That means it will be affected by growth rates, interest rates, by unemployment levels and trade-pattern shifts.

I need to be clear about one aspect of Canada's climate-change plan.

We are not bringing this down to some incredibly detailed spreadsheet that gives every person, every community and every business a detailed piece of our target. We have not attempted to identify where every last tonne of emissions reductions will come from.

And there is, in addition to what I just mentioned a few moments ago, a very simple reason for this—the unpredictable but fundamental power of innovation.

Over the past three decades we have dealt with many environmental challenges. Time and again, we have learned that if you set clear targets and then give business the flexibility to find the most efficient solutions, people in business can and do generate results well beyond their own expectations.

Let me offer an example of how outcomes and attitudes have changed.

In 1973, the head of Ford said that if his company and his industry were forced to install catalytic converters to reduce air pollution, "It will cause Ford to shut down and would result in: 1) reduction of Gross National Product by $17 billion; 2) increased unemployment of 800,000; and 3) decreased tax receipts of $5 billion at all levels of government so that some local governments would become insolvent."

Some years later, a leading figure in American industrial life looked back and said: "We are continuously faced by great opportunities brilliantly disguised as insoluble problems."

Lee Iacocca made both statements. And by the time he made the second one, he knew that the sky did not fall after the introduction of the catalytic converter. It was a lot cleaner though.

The acid rain debate of the 1970s and the 1980s is another case in point. For years, industries that were sources of sulphur dioxide fought hard against emission restrictions. We were told that the price of cutting acid rain would be incredibly high. We were told about job losses and industrial decline. We heard that there was no science to back up the call for action.

Canadians knew better. They told governments the benefits of healthy lakes, streams and forests were worth the costs of cleaning up smokestacks and other sources. And in the end, the costs were a fraction of the claims we heard.

Over the last few years, I've talked to industry leaders from around the world and heard similar things from the presidents and CEOs of companies like Shell, British Petroleum, Dupont, and the list goes on and on.

In fact a while ago, Sir Mark Moody-Stuart, the former Chairman of the Royal Dutch/Shell Group of companies and I were discussing climate-change issues in Canada. He said: “You’re doing this backwards in Canada. Business shouldn’t be wasting its time on the ratification issue. It should be focusing on what happens after that—how to get the job done.”

He and many other business leaders know that environmental goals present opportunities to improve the bottom line. They present opportunities for innovation, more efficiency and more productivity.

From years of experience I believe in the capacity for innovation in Canadian industry. I have seen that innovation at work in my travels across this country. I firmly and fundamentally believe that addressing climate change is an investment in the future. That it has the potential to make our economy stronger, more modern.

Let me come back to Shell.

In 2001, Shell Canada reported consolidated earnings of $1 billion on assets of some $7.5 billion and a 21.5-per-cent return on average capital employed. The company employs about 3,600 people at its head office in Calgary and operating locations across the country. Shell Canada has had targets in place since 1995 that include meeting 1990 levels of GHG gasses by 2000 and reducing these emissions by 6 per cent by 2008. The 2000 target has been achieved.

Canada needs more of this. And, as we address climate change, we will see it.

We will also see it because of changing market demands. The reality is that an economy like Canada’s has the most to gain if we position ourselves early in greener markets. We have the most to lose if we drag our feet in adapting to the emerging climate-friendly markets.

We see enormous export opportunities. Even with the Bush administration's decisions not to follow through on the American commitment to multilateral action on climate change, state governments are going ahead with their own impressive list of actions.

For example, the State of California now has a law that mandates the California Air Resources Board (CARB) to develop and adopt regulations to take effect in 2006 "that achieve the maximum feasible and cost-effective reduction of greenhouse gas emissions from motor vehicles."

So the record of results is there, the need for action is there and the opportunities are there, too. Like Premier Klein, we believe that Canadians have the know-how and the resolve to tackle this problem. We just happen to have more confidence in Canada, because we believe that Canadians can do it sooner and better.

Not everyone shares the belief of our government that Canada should aim for results on climate change. I don't watch much television but even I've seen the full-scale ad campaign that some business interests are running in a last-ditch effort to stop ratification of the Kyoto Protocol. I've seen some of the comments of some people in the business community.

I want to comment briefly on three topics. First, the science. Second, the waste of money on lobbying. Third, the price of inaction to our financial community.

First, the science.

Our policies on climate change are based on the strong consensus among the clear majority of climate scientists—people who have spent their careers in this discipline. And their consensus view is that the peer-reviewed science is only getting more and more convincing.

Yes, there are some scientists who disagree. There always are. That is the way science works. But theirs is outlier science. They are at the margins on this issue.

Their arguments have failed to find support among their peers. Are they wrong? Only time will tell. But probability analysis suggests that the consensus view has about a nine-out-of-10 chance of being right and the minority position no more than a one-in-10 chance of being right. Is it really appropriate to base public policy on the one-in-10 chance?

Incidentally, this goes beyond the climate-change issue.

Frankly, I have taken a lot of heat because our government is committed to using the best science possible to make decisions. I have taken a lot of heat from environmentalists because I do not accept the outlier science on genetically modified organisms or pharmaceuticals. I have taken a lot of heat from some community groups because we listen to the credible peer-review science that comes from the private sector, as well as our own labs and those in universities.

I think the business community in Canada should think long and hard before it demands that we design policy based solely on the idea that a minority view should be accepted over the consensus view of the experts who are subjected to peer review. You may be going for a ride that you will not enjoy in the long run.

Second, the lobbying.

Some business interests are spending money on lobbying us directly and on trying to influence indirectly by scaring Canadians. But the current ad campaign is misleading and counter-productive. Public opinion, except for small-town and rural Alberta, has been overwhelmingly pro-ratification and the figures have not been weakening.

I don't quarrel with lobbying or advertising. In fact, a good lobbyist is a good friend to a minister and the client alike. A good lobbyist will tell you the reality on an issue. And good lobbyists don't mislead, because they know that if they do, their clients will never get to put their case to the minister again. And the reality is that our government is committed to putting ratification before Parliament. We are committed to action.

The Prime Minister has been crystal clear on his desire to ratify. I have been crystal clear on this.

So while the latest advertising is creating a lot of confusion and noise, the campaign is not getting anywhere. These business interests are wasting money and getting badly served from people who know better.

For them, of course, this is one of those opportunities to demonstrate how hard they are working on behalf of business, and why you need to keep up your membership in their organizations. But while it is serving their interest, it is not serving yours.

You would be far better off to follow the lead of labour on this one. I have started to work with the Communications, Energy and Paperworkers Union of Canada to explore the potential impacts of climate-change actions on employment. We have agreed that we will work together to develop responses.

Just as Sir Mark Moody-Stuart pointed out, organized labour is getting past the rhetoric to get on with finding solutions.

If lobbyists were serving you well, they'd be telling you to do the same and save the ad money business is spending.

My third short point is on the other business impacts of climate change.

We keep hearing the drumbeat that measures to combat climate change will be bad for Canadian businesses. Full stop. The leaders of major business organizations that should be representing all their members have decided to ignore the perspectives and interests of many of those members on climate change.

For example, what about our financial sector, and more specifically our insurance industry?

We know that scientists predict more severe weather events if climate change continues to accelerate. We know that insurance payouts because of severe weather events have already skyrocketed in recent years. We know that more hailstorms or more tornadoes would cost insurers. We know that the global scale would affect the reinsurance industry around the world.

As Frank Nutter, President of the Reinsurance Association of America said in 1996, "Climate change could bankrupt the industry."

Right now, scientists who know the evidence are telling us that we need to take action. They are telling us that we are headed in a dangerous direction and that half-measures won't do.

They're saying that we're headed for a cliff.

So let me ask you, what makes more sense? Do we turn around? Or do we resign ourselves to enjoying the view over the edge by doing less and taking much longer to do even that?

Because given what the science tells us, those are our choices.

Canadian values tell us the answer. We are not resigned to a worse world for our children and grandchildren. We want a better one. We are not resigned to shrinking icecaps and rising sea levels around the globe. We want stability.

We are not going to be trapped by a false division that claims what makes sense for our environment will harm us in the big picture economically.

Our government shares the view of our partners in many countries that people have the ingenuity and the commitment to find effective ways to turn things around. We can take action that unleashes new ideas and new processes.

We can get results and we can meet reasonable timeframes to get them.

Our government is prepared to build on the work we already do with partners across Canada to make the necessary transitions happen. We are prepared to help build a future with cleaner air and healthier cities. We are ready to foster an even more innovative environmental industries sector that sells products and services around the world.

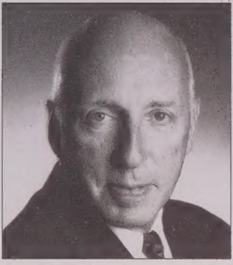
Quite simply, I don't accept the pessimists' view. Canada can succeed in our pursuit of our international commitments—and we will.

We will move forward with an essential step. We will continue the work that began here in Toronto in 1988. We will innovate on an important environmental issue, just as jurisdictions from Germany to California to Japan are doing.

Are Ontarians ready to bring Californian commitment, German efficiency and Japanese innovation to this? I think so.

Thank you.

The appreciation of the meeting was expressed by Kathleen Freeman, Director, The Canadian Club of Toronto and Member, Immigration and Refugee Board of Canada.



November 21, 2002

Mark R. Daniels

Chair, Financial Services Council of Canada and President and CEO, Canadian Life and Health Insurance Association

FINANCIAL SERVICES COUNCIL OF CANADA

Chairman: **Ann Curran**
President, The Empire Club of Canada

Head Table Guests

C. Alexander Squires, Managing Partner, Brant Securities Limited and Secretary, The Empire Club of Canada; Liam Churchill, OAC Student, North Toronto Collegiate Institute and Vice-President, Student Council; Rabbi Perry Cohen, Facilitator, Teacher and Author; Larry Waite, COO, Mutual Fund Dealers Association of Canada; Michael Lauber, Ombudsman and CEO, Ombudsman for Banking Services and Investments; The Hon. Thomas Hockin, PC, President and CEO, The Investment Funds Institute of Canada and Director, The Empire Club of Canada; Peggy-Ann Brown, Chair, Board of Directors and Ombudsman for Banking Services and Investments; Raymond J. Protti, President and CEO, Canadian Bankers Association; and Judy Goldring, Senior Vice-President and General Counsel, AGF Management Limited.

Introduction by Ann Curran

Mark Daniels has been the President of the Canadian Life and Health Insurance Association Inc. (CLHIA) since August 1989. This association represents 75 life and health insurance companies which account for 99 per cent of the life and health insurance in Canada.

Prior to joining the Canadian Life and Health Insurance Association, Mr. Daniels served as Vice-Chairman and later Chairman and Chief Executive Officer of Public Affairs International (PAI), an Ottawa-based consulting firm.

Before this Mr. Daniels spend 16 progressive years in the federal public service in Ottawa. He joined the government in 1971 as a Director in the Planning Branch of the Treasury Board. He served with the Department of Regional Economic Expansion as Assistant Deputy Minister from 1973 to 1979; and with the Privy Council Office, as Senior Assistant Secretary to the Cabinet (Economic Policy) from 1979 to 1981. He was Assistant Deputy Minister, Economic Programs and Government Finance in the Department of Finance from 1981 to 1982; Deputy Minister of Labour from 1982 to 1985; and Deputy Minister of Consumer and Corporate Affairs from 1985 to 1987.

Mr. Daniels was Assistant Professor of Economics at McGill University in 1965, and at Brown University from 1966 to 1971. During his time at Brown, he also served a year as an Economic Policy Fellow at the Brookings Institute in Washington, D.C.

Mr. Daniels is a member of the Advisory Council, Faculty of Commerce and Business Administration of the University of British Columbia and is a member of the Board of Directors of the National Aboriginal Achievement Foundation.

Mr. Daniels was born in Vancouver, British Columbia. He received a Bachelor of Commerce degree from the University of British Columbia in 1961 and a PhD from Johns Hopkins University in 1966.

Early this year, Mr. Daniels became the inaugural Chair of the Financial Services Council of Canada. The council is a group of five major trade associations representing most of the financial-services industry in Canada. The council is primarily aimed at better co-ordinating work on legislative, regulatory and policy issues of common interest to the industry.

As chair of the council, Mark Daniels will discuss the work of the council, its background and more importantly, what might be expected from it in the years immediately ahead.

Without further ado I give you Mr. Mark Daniels.

Mark Daniels

Good afternoon. I have been looking forward to the opportunity to speak in a forum like this about the Financial Services Council of Canada. The council is, I believe, a timely and useful initiative on the part of the sponsoring industry associations. It is also an initiative that can have an important, positive impact on the operating environment for the financial-services industry in Canada. Those impacts, I believe, can help better secure the future of the financial-services industry in this country.

I have to say that I am pleased to see this audience here today. The problem is that the title of the address is so bloodless I was worried that I would not have a group larger than my immediate colleagues whom I could at least try and bully into coming. For the rest of you, thank you very much for being here.

In the time I have available today I want to do three things. First, to say a few words about the council itself: what it is, and what are its origins. Second, I want to speak briefly about its most important initiative to date. Since that initiative is about to be formally launched, it is a timely opportunity for a status report, if not a commercial. Third, I want to look ahead and speak from a personal point of view on where I believe the council must direct its efforts in the future. The stakes for the financial-services industry in Canada in the period ahead are high and I think the council can make an important contribution to helping secure the future of our industry.

The Financial Services Council of Canada: Its Origins and Mandate

Turning first to the origins of the council and its mandate, industry players in this audience will be acutely aware that the last decade or so has witnessed a period of extraordinary change in the financial-services industry worldwide. That change has been ushered in by a number of factors that have essentially reshaped the industry. I think most observers would agree that central to all those elements driving change have been four principal factors:

(1) Technology and the accompanying revolution in communications;
(2) Demographic changes and the new consumer;
(3) Wide-ranging and rapid regulatory reform; and
(4) The emergence of a global marketplace.

Flowing from these forces of change, most of us looking at various components of the financial-services industry in Canada would have seen the emergence of three defining trends characterizing today's industry. First, continuing consolidation and integration among the players. Second, a new emphasis on market conduct and marketplace relations. And third, a new functional emphasis in regulation. These trends together have had a great deal to do with defining the landscape not only in which individual financial-services companies operate but, perhaps more importantly, the industries themselves. It is, of course, this latter industry landscape that defines the domain in which those of us who deal with matters of collective interest to the various players—that is, the industry associations—tend to operate.

The simple fact is that up until the last few years each industry agenda—the agenda relevant to banks, insurers and so on—tended to be more or less industry-focused and somewhat independent from the other parts of the financial-services business taken together. In the case of my own industry, life and health insurers, for example, the main focus throughout most of the 1990s was on our own interests in several major federal legislative packages, some serious company insolvencies, consumer protection and demutualization. To be sure, issues like taxation were points of common interest but, by and large, our general concerns did not much intersect with the other, so-called, traditional pillars of the financial-services industry.

In the latter part of the last decade, as the trends I spoke about a moment ago took hold, a lot of this changed. Through consolidation and integration many of the major players found themselves operating in most major segments of the financial-services business. The traditional four pillars had melted away, at least for those companies interested in promoting economies of scale and scope. Even more importantly, the new focus on marketplace issues brought us all far closer to a common set of problems centering around things like privacy, licensing, regulatory compliance, consumer protection and so on. Moreover, the emerging focus on functional regulation—itself a product of consolidation and integration among the regulated industries—led to another developing set of common interests.

So the reality was that the various associations representing the different industry groups operating broadly under the label of the "financial-services industry" found themselves more and more frequently working on an increasingly common set of issues. That fact alone, coupled with the fiscal circumstances facing each of the associations, spoke eloquently of the need to find more effective ways to use our joint resources in the collective interests of the member companies who pay our bills.

Clearly, each of we association heads were looking at various versions of this same story and early in the summer of 2001 we got together for a private dinner to talk about the prospects for a more formal alliance. That dinner and several subsequent ones like it—along with some background work we commissioned—put in place the required documentation to scope out what a group might look like.

On February 18 of this year, about eight months after we first started our discussions, we announced the formation of the Financial Services Council of Canada to better co-ordinate our efforts on legislative, regulatory and policy issues in which we have a common interest.

The members of the council are Stan Griffin, President and Chief Executive Officer, Insurance Bureau of Canada, Thomas Hockin, President and Chief Executive Officer, The Investment Funds Institute of Canada, Joseph Oliver, President and Chief Executive Officer, Investment Dealers Association of Canada, and Raymond Protti, President and Chief Executive Officer, The Canadian Bankers Association. In addition, we have issued an invitation to Joanne De Laurentiis, President and Chief Executive Officer, Credit Union Central of Canada, and in due course we hope to have the credit unions as part of the group. Joanne is always invited to join our deliberations when she can. Right now we meet formally about every three months.

The First Project: A Single Window Dispute Resolution System for Financial-Services Consumers

Let me now turn to talk about our first major project. In this case, the cart and the horse were moving along side-by-side. Around the time that the council was first being considered in the late spring of 2001, Bill C-8, An Act to Create the Financial Consumer Agency of Canada and to amend certain acts in relation to financial institutions, was working its way through Parliament. Royal Assent occurred on June 14, 2001 and the act came into force on October 24, 2001. It is said that C-8 was the second-longest bill in Canadian history. Over 950 pages, as I recall, and it emerged as the last major piece of three defining pieces of financial-services legislation to emerge from Ottawa in the 1990s. In part, this last leg on the stool was to be cast as the "consumers' round" aimed at dealing with a number of important consumer issues which were not addressed in the previous two bills.

Among many important provisions, C-8 proposed the establishment of a Canadian Financial Services Ombudsman (CFSO). In fact, the law actually required all federally chartered financial-services companies to belong to an approved, independent third-party dispute-resolution system and invited companies to join the CFSO. The banks would be required to become members of the CFSO.

At the time, of course, the Canadian Banking Ombudsman had been successfully running for five or six years. In effect, its activities would be taken over by the CFSO. The rest of us had something of a patchwork of dispute-resolution mechanisms in operation. But the one thing we all have in common is that our primary market regulators are the provinces, not the federal government.

Three things were abundantly clear at the time. One: All of us would have to, by law, belong to an approved, independent third-party dispute-resolution program. Two: Whatever that program turned out to be, the companies would pay for it directly through increased assessments. And three: If this became a federal/provincial jurisdictional battle, we would likely end up with a disparate collection of new federal and provincial institutions, each with a different set of rules, regulations and expectations.

To add another dimension to the debate, at about the same time the Joint Forum of Financial Market Regulators, an inter-provincial co-ordinating body composed of securities, insurance and pension regulators, proposed the establishment of a single, national financial-services dispute-resolution program. It looked much like the CFSO to us but seemed to offer better prospects for avoiding a competing (if not conflicted) collection of institutions.

Among the industry groups, the banks had the most established dispute-resolution program—the CBO—and it also seemed to most closely meet the general criteria for the kind of service that was being broadly described by both levels of government. My organization, the CLHIA, also had an experienced OmbudService in place that went a considerable distance toward meeting the public-policy objectives as we understood them.

The IBC, the property and casualty insurers, which had a regionally based system dealing with auto insurance that had been working for some time in co-operation with provincial governments and the IDA, the investment dealers, had an arbitration program.

What we did not have, of course, was a common point of access. If a consumer knew where to go, they could get help but, if not, there was certainly no single portal where one could access the system generally. Moreover, each of us had a different system partly, we said, because the nature of the disputes we dealt with was different. But it was also true that we did not provide our services in accord with a common set of standards, something the governments involved all wanted to see, the point being that a financial-services consumer having a complaint ought to be able to have it handled in the same general way no matter what product they were dealing with.

In the event, the industry associations all agreed to be part of a Joint Forum Task Force to see if there was any way we could put together a national dispute-resolution system. Federal government representatives also sat as observers on the Task Force. Things moved along rather slowly through the spring of 2001 and finally the industry representatives formed a Working Group of our own to see if we could forge a proposal acceptable to both levels of government.

It was clear to the industry people involved that the status quo was not an option. Either we found a way to put an acceptable industry-sponsored plan together or we would face a grab-bag of competing government systems about which we would have nothing to say and all of which we would pay for. More importantly, it was hard to see how consumers—our customers—would fare with such a government-sponsored alternative.

After a fair bit of discussion through the summer of 2001, the industry associations were able to put together a proposal that would come to be called the National

Financial Services OmbudsNetwork (FSON). Each industry group would sponsor its own independent dispute-resolution service offering a comparable level of service to consumers, both French-speaking and English-speaking, whose complaints were not satisfactorily addressed by the particular company with which they had a problem. Each independent dispute-resolution service would be linked together under the Centre for the FSON, an umbrella organization with its own independent Board of Directors responsible for providing a central contact point (that is, 800 numbers, Web sites and so forth), establishing and maintaining standards, undertaking awareness-raising among financial-services consumers and providing reports on the operation and performance of the overall system.

Government representatives at both the federal and provincial level agreed to give this proposal a try and to postpone the establishment of any competing government systems pending a review of FSON performance after a reasonable period of time. The original announcement establishing the Financial Services OmbudsNetwork was made almost exactly a year ago today. All the individual industry dispute-resolution services are now up and running. They are the Ombudsman for Banking Services and Investments, the Canadian Life and Health Insurance OmbudService and the General Insurance Ombudsman.

I am pleased to say that in the next week or so the Centre for the FSON will be open for business. When that happens, this important and unique new service will be officially in business.

I should make one last point about the OmbudsNetwork. All of us are committed to making this system work for the benefit of Canadian consumers. It may well be that, down the road, we can integrate each of the individual industry mechanisms into a single, independent administrative unit. That is certainly where the governments involved would like us to get. So would we!

As we develop experience with the new systems we expect to be able to get there.

The Way Ahead

Let me turn now and talk about the future of the council itself. As is clear from my remarks, we actually undertook our first major project, the Financial Services OmbudsNetwork, even as we were putting in place the formalities to launch the council. Now that the FSON is a reality, what is next?

I do not propose here to outline a list of specific projects we might have at hand. What is relevant, however, is that all our discussions centre on the importance of rationalizing and simplifying the regulatory environment for Canadian financial-services providers. This goes well beyond the usual co-ordination and harmonization efforts, although we certainly are continuing to undertake various projects of this kind right across the country. Most of them, of course, are along traditional industry lines and deal with our particular sectors. Needless to say, that sort of endeavour is the bread and butter of the association business, at least as it has been historically practised.

But beyond that, a new realization has occurred among many practitioners that the overall regulatory environment must be addressed as part of a broad approach to ensuring Canada can keep a vital, independent financial-services industry in an increasingly integrated North American market.

I should say that the ground I am moving into now is my own in the sense that I do not want to implicate my colleagues on the council in any specific comments I make. We all have views on these issues and there is certainly no council position per se.

Just in the last few days we have seen a continuation of the chorus of industry observers advocating the need for a country-wide approach to the regulation of the financial-services industry. My colleague Ray Protti spoke along just these lines at a major event in Ottawa on Tuesday. Harold MacKay has now completed his report for the federal minister of finance on an approach to putting in place a national securities regulatory system. David Brown, Chairman of the Ontario Securities Commission, has spoken along similar lines as well. And the list goes on.

As far as I can tell, there is no consensus emerging on how to effect a rationalization of our regulatory system but there certainly is a consensus that something has to be done. In my experience, the regulators themselves feel that way too, at least for the most part, and are themselves looking for ways to improve the efficiency and the effectiveness of the current system.

I am certainly part of that chorus of observers calling for a rationalized and simplified approach to the regulation of the financial-services industry in Canada. I also have a slightly different take on the issue and in the few minutes remaining to me I would like to talk about it.

My starting point is that the stakes in this game are very high. A necessary condition to ensuring the long-run viability of an independent Canadian-based financial-services industry depends upon timely action to put in place a fully integrated, country-wide, financial-services regulatory network. This would not be a federal or a provincial body but rather a national authority—a network really—with responsibility for prudential and marketplace relations.

So how to get started? A few months ago, just about the time I was asked to speak here about the council, I attended a luncheon address to pension administrators by Ed Clark, President and COO of the TD Bank Financial Group. Part of the focus of Ed's remarks had him address two questions:

First: Should Canada be concerned about the potential migration of their financial-services industries toward major United States'centres?

And second: Will Canadian cities have trouble holding on to existing headquarters jobs in the face of stiff competition from major United States and international players?

His answer to both questions was "yes," and he went on to outline what needed to be done to deal with the situation. A key part of what Ed Clark had to say lay in the importance of the private sector in taking the lead in dealing with the circumstances he envisaged in the answer to those two questions. He went on to say: "In the end though, we in the private sector have to stop saying that all the issues are government issues—because they are not." Once government has created the right environment, once it makes sure that our fiscal house is in order, that we are investing in the future, that we have the right incentive system to reward people and a tax system that doesn't punish innovation, then it's up to the private sector to take the lead.

I could not agree more with that analysis. But it does make clear that there is an important role for government in getting the "environment" right and that environment certainly includes the difficult and costly regulatory climate in which we increasingly find ourselves operating.

The only twist I would put on Mr. Clark's point is that I think it is going to be necessary for financial-services industry leaders—the major company leaders—to get the governments clearly moving along the path of reform.

I should say here that I do not think that the place to start this important process is with an attempt to forge a national securities regulator. In fact, that is the wrong target. The right target in my view is, as I have already said, to put in place a fully integrated, country-wide, financial-services regulatory network right from the get-go. This network should cover all institutions in the financial-services industry: banks, insurers, investment dealers, mutual funds and credit unions. And it should cover consumer protection, dispute resolution and redress, compliance, licensing, market conduct, discipline, capital adequacy and prudential standards—basically all the regulatory functions currently flowing to OSFI and 13 provincial and territorial regulators.

This may look like a daunting task—indeed, it is—but much of the machinery to start the job exists. For example, for all intents and purposes we have a single, national prudential regulator already in OSFI, the Office of the Superintendent of Financial Institutions. Moreover, there is an important, functioning national network of provincial regulators in the CSA, CCIR and CAPSA—the national associations of securities, insurance and pension regulators. These organizations, as I discussed earlier, are already loosely wired together under the aegis of the Joint Forum of Financial Market Regulators. The fact is the Joint Forum, with virtually no political backing and not a whole lot of support from industry, is moving right now to address some of the issues which need simplifying and rationalizing. I can certainly point to the Financial Services OmbudsNetwork as one example of the kind of leadership offered by the regulators themselves. There are others.

You see here, I know, the well-worn hand of a committed incrementalist but in many respects what will work best is to build on the institutional network we already have. Many critics look at the sheer number of financial-services regulators we have in Canada and say that is the place to start. The Financial Services Authority in the U.K. published a study of several countries for the year 2000 in which they noted that they employ only 2,765 people to regulate a financial-services sector four times the size of Canada's. By contrast we employ 3,780 people in our system and both systems cost about the same amount—just under C$500 million annually.

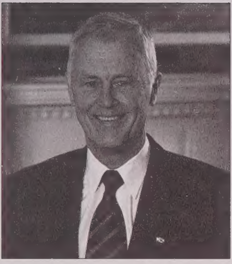
Interestingly enough, most practitioners I talk to worry a great deal less about the direct cost of the regulators than they do about the costs of complying with the regulatory system itself. Here is where the work should begin and urgently.

So my own preference is to start with the building blocks we already have in place. The immediate task is to find an appropriate political and governance overlay to link these institutions formally together. Once that is done, I would begin with a series of specific projects aimed at dealing immediately with areas where compliance costs are highest. In fact, I would start with data reporting and move quickly to a single system from which all jurisdictions could draw the information they need, rather than having individual institutions reporting separately to individual jurisdictions.

My own expectation for the council in the period ahead is that we will find ourselves increasingly drawn into the process of helping simplify and rationalize our current regulatory system. To the extent that business and government leaders push this process forward in ways such as I have outlined or, indeed, in other ways, the council will find its work cut out for it.

In the limit, we may find a few years down the road as we face a more integrated regulatory system, that the financial-services industry itself no longer needs individual industry associations. Indeed, I can see a day when the council embraces the organizations that currently make it up and becomes, itself, the Canadian Financial Services Association. Frankly, I think that will be a pretty good idea in the right circumstances and it may serve as an appropriate touchstone moving forward.

The appreciation of the meeting was expressed by The Hon. Thomas Hockin, PC, President and CEO, The Investment Funds Institute of Canada and Director, The Empire Club of Canada.



November 28, 2002

The Hon. John F. Hamm

Premier of Nova Scotia

WE'RE ALL IN THIS TOGETHER—VALUE-BASED HEALTH-CARE SERVICE IN NOVA SCOTIA

Chairman: **Ann Curran**
President, The Empire Club of Canada

Head Table Guests

William G. Whittaker, QC, Partner, Lette Whittaker and 3rd Vice-President, The Empire Club of Canada; Christopher Hayes, Third-Year Student at Wycliffe Theological College, University of Toronto and a "Son of Nova Scotia"; Timothy N. Unwin, Partner, Blake Cassels & Graydon LLP; John M. Walsh, Barrister and Solicitor, Osler Hoskin & Harcourt LLP; Charles S. Coffey, Executive Vice-President, Government and Community Affairs, RBC Financial Group and Director, The Empire Club of Canada; Graham W.S. Scott, QC, Managing Partner, McMillan Binch LLP; and Libby Burnham, QC, Government Relations Counsel, Morrison Brown Sosnovitch LLP.

Introduction by Ann Curran

John Hamm's roots are in Nova Scotia. Born April 8, 1938 in New Glasgow, Dr. Hamm graduated from medical school in 1963.

Over the next 30 years, Dr. Hamm worked as a family doctor. He also did much to serve the medical profession and to support his community.

In the political field, Dr. Hamm was elected as Member of the Legislative Assembly for Pictou Centre in 1993 and he became leader of the Progressive Conservative Party of Nova Scotia in 1995. He served as leader of the official Opposition from 1995 to 1998. He won re-election in March 1998 and in July 1999. Dr. Hamm was sworn in as Nova Scotia's 25th premier on August 16, 1999.

I would now like to pose a quiz. How many politicians do you know who are also medical doctors? Most politicians I know come from the legal profession or business world.

Second, who is more qualified to comment on health care in Canada than a medical professional who understands our health-care system through personal experience and who is also an active politician understanding the importance and impact of public policy?

Premier Hamm will relate success stories about the delivery of high-quality health care in Nova Scotia.

Better health-care decisions are being made there based on a strong working relationship developed with the District Health Authorities and Community Health Boards.

Premier Hamm will describe the stability and predictability that his recently announced multi-year funding program will bring to health-care services in Nova Scotia.

He will also articulate his vision of a strengthened federal-provincial partnership that will help ensure the delivery of high-quality health care now and in the future. He might even comment on the Romanow Report.

Without further ado I give you Premier Hamm.

John Hamm

Thank you very much for that kind introduction Ann. I'm grateful to the Empire Club for its invitation.

It's my great pleasure to be here today—a very important day for health care in Canada.

The theme I've chosen is "We're All in This Together" because every Canadian has a big stake in the current health-care debate. And not just for ourselves—but for our families, our friends and our neighbours.

I'm going to tell you about some of the successes we've enjoyed in Nova Scotia and the values and principles on which those successes are based.

I'm also going to relate the progress we've made in Nova Scotia on some aspects of Roy Romanow's report on the future of health care in Canada, released just a couple of hours ago in Ottawa.

Speaking of Mr. Romanow's report, here are a few initial reactions. Please keep in mind that I'm offering these comments as the Premier of Nova Scotia, not in my role as Chair of the Premier's Council. His call for increased federal funding is most welcome—it's a start; but I was disappointed at the lack of emphasis on long-term care, one of the fastest-growing sectors in health care.

Again, those are just preliminary reactions.

One thing is certainly clear, though. Mr. Romanow, Senator Kirby, Mr. Claire, Mr. Mazankowski and many other Canadians have spoken up. It's time for the Prime Minister to hear the message. Canadian families, who need health care, need your help.

Having mentioned Senator Kirby's name, I do want to congratulate him for his contribution to this national discussion. Personally, I am drawn toward his more creative view of how to deal with the challenges of health-care delivery. Perhaps it's because we're both Nova Scotians. As you may be aware, I spent about 30 years as a family doctor in the Pictou County area of Nova Scotia. What I learned from helping people and their families has served me well in my time in politics and especially during my term as premier.

There are many parallels between what I tried to achieve as a doctor, treating one patient at a time, and what I'm trying to achieve now as premier for an entire province. The only real difference is the size of the waiting room.

Political leaders in Canada are wrestling with how we can provide the best health-care service possible. We wrestle with opponents named sustainability, accountability, quality of care, access to care, and, of course, funding of care.

In my mind, there's another challenge for political leaders that hasn't received a great deal of attention. And that's the challenge of giving Canadians good reason to have faith in our abilities to build and maintain the health-care service they need—when and where they need it.

We must never lose sight of why we work so hard to provide the best health-care service in the world. We must never lose sight of whom we're trying to help. We must always be wary of a gap that can develop between the people who need the service and the people who are responsible for designing and managing the service. I see that gap sometimes in the difference in language used to describe health care in Canada.

The system designers use language like outcomes, sustainability, utilization rates and determinants of population health. And that's fine.

At the same time, the real language of health care is a human one. It talks about pain and fear and help, hope and faith. We need to use the human language because this is the language people use when they talk about our health-care system. This is the language I heard and spoke in my medical practice. People deserve plain talk and simple, straightforward answers.

People want results—not endless talk about process.

And they deserve promises that are kept because hope and faith depend on promises being kept.

And people deserve to have their values reflected in the decisions we make in health care—values like fairness and honesty. I believe that providing the health-care services Canadians want and need is not simple. But it takes a simple form.

At the end of the day, there are only two aspects—quality and access. That's it—the quality of care Canadians get, and how easy it is for them to get that care. What really encourages me is that in every key area Mr. Romanow mentions in his report, Nova Scotia is already there; we're getting it done.

Here are some examples of how we've improved quality and access in Nova Scotia.

We can find out faster than ever just what's wrong with someone, because we've made significant investments in new diagnostic equipment—CAT scans, MRIs and bone densitometers. And we're attracting more doctors and nurses to operate that equipment. Nova Scotia has the second-highest doctor-to-patient ratio in Canada.

And the nursing strategy we pioneered three years ago is paying off. It was designed with nurses, for nurses. Last year, 82 per cent of our nursing graduates stayed in Nova Scotia—up from 51 per cent the year before.

Nova Scotia is leading the country in collecting and sharing medical information. This saves valuable time and money by having patient information when and where it's needed. People get treated faster and better.

Our tele-health network makes specialists available to patients living in remote parts of the province.

Nova Scotia's Cancer Patient Navigation System—unique in Canada—guides cancer patients and their families through a complicated system, reducing stress and improving treatment.

We're also leading the country in emergency response services. We have one of North America's best air and ground ambulance services and Canada's first province-wide 9-1-1 system.

We're focused on prevention as well. Our province-wide physical-activity strategy will help young people put down the remote and pick up the pace. Nova Scotia has Canada's toughest anti-smoking legislation. And we're working on a chronic-disease-prevention strategy.

More emphasis on education and economic development will really help. We all know that well-educated, prosperous people live healthier lives and use fewer health-care services. One of the essential keys to these improvements is collaboration and co-operation.

In Nova Scotia we've invested huge amounts of energy and time to developing crucial working relationships with District Health Authorities throughout the province. And with care providers; with patient advocates; with everyone who cares as much as we do, so people get the very best care possible. These partnerships allow us to improve the access to care and the quality of care in Nova Scotia.

There's another crucial partnership that needs renewed attention. And it raises an issue that always comes up whenever we talk about health care—the money to pay for it.

As I trust you are aware, Canada's premiers undertook a public awareness campaign this fall. We wanted to point out the gap between what provinces spend on health care and what the federal government contributes. It's rare that Canadian premiers can all agree on anything. But we agreed on this.

As Chair of the Premier's Council, I think the campaign has been successful. I believe that because every time I meet with federal cabinet ministers these days, they ask me to stop it.

With the release of the Romanow Report this morning, I think it's clear to everyone that the health-care funding debate is over. In my mind, it's been over for some time. In Nova Scotia, the debate officially ended on October 8 this year. That was the day we declared health care our province's top funding priority.

It's time for the federal government to do the same.

Nova Scotia is the first province to introduce stable, predictable funding for health care for the next three years. And we brought in rolling three-year health-care budgets so health care stays stable and secure and Nova Scotians know it will be there when they need it.

Acute care in Nova Scotia will receive a 7-per-cent increase in each of the next three years. That's front-line care provided by doctors, nurses and health-care professionals in our hospitals. It also includes mental, public-health and addiction services offered in communities across the province.

Now, our hospitals will be able to budget their resources for the next three full years. This will mean more doctors and nurses on the floor. Waiting times will be reduced. More time can be spent with patients to help prevent illness and improve their well-being. It will put an end to the uncertainty that yearly budgets create. For the very first time, we have tied the budget to real-world spending needs.

It's time for the federal government to do the same. We would certainly welcome a renewed funding partnership with them. After all, Nova Scotians, and all Canadians, expect their governments to work together.

While we're talking about money, let me make it very clear that Nova Scotia has no problem with being accountable about how it spends federal health-care dollars. We got $30 million for diagnostic equipment and that's exactly where we spent it. No problem.

I read media reports that claimed some provinces spent this money on non-medical equipment like lawn mowers and hedge trimmers. Nova Scotia didn't. Our lawns and hedges may be a little ragged, but the wait times for accurate diagnostic tests are shorter.

As Canadians, we're all in this together. It doesn't matter where you live, whom you voted for, how much money you earn, or how much tax you pay. It just doesn't matter.

What matters is that we look out for each other. That we take good care of ourselves. And that we do our very best for those who are sick and need help. We are all in this together.

Thank you very much.

The appreciation of the meeting was expressed by Charles S. Coffey, Executive Vice-President, Government and Community Affairs, RBC Financial Group and Director, The Empire Club of Canada.

December 3, 2002

Børge Ousland

Director, Fridjtof Nansen Institue and one of Norway's best known explorers

CROSSING THE ARCTIC OCEAN ON SKIS

Chairman: **Ann Curran**
President, The Empire Club of Canada

Head Table Guests

Doug Morris, President, Morris Glass Inc. and Director, The Empire Club of Canada; Randi McQueen, Senior Student, Parkdale Collegiate Institute; The Reverend Kim Beard, Rector, Christ Church, Brampton and Director, The Empire Club of Canada; Rita Hoff, Director, Canaccord Capital Corporation and Wife of Eivind Hoff, Consul General; Martin Kuster, President, Hunter Straker Ltd.; Dr. Johann Olav Koss, four-time Olympic Gold Medallist, President and CEO, Olympic Aid and Chairman, MOT (Courage—an organization that mobilizes Norwegian athletes in the fight against drugs and doping); His Excellency Mr. Ingvard Havnen, Norwegian Ambassador to Canada, Royal Norwegian Embassy; The Reverend Dr. John Niles, Rector, Victoria Park United Church and Director, The Empire Club of Canada; Professor Franklin Griffiths, Department of Political Science, University of Toronto; Eivind Hoff, Consul General, Royal Norwegian Consulate General, Toronto; and Erin Adams, HR Specialist, Policies and Programs, The Dominion of Canada General Insurance Company.

Introduction by Ann Curran

The Empire Club has been fortunate to hear from a variety of distinguished speakers over the last century and a few have discussed their Arctic expeditions.

One of the first was in December 1909, 93 years ago, when Captain Bernier discussed "The Arctic Regions of Canada," and more recently in February 1976 when Dr. Joseph MacInnis discussed "Diving Under the North Pole."

All this to say I think we are due for an update.

In a world that seems obsessed with the paper risk of the New York Stock Exchange, NASDAQ or the Toronto Stock Exchange, it is refreshing to hear from someone who takes a different type of risk—a physical risk.

Where would we all be today if explorers did not take physical risks to discover new lands, new seas, our environment and the solar system?

In a day and age where "off-road driving" means turning into your driveway, it is inspiring to hear from someone who truly has a vision and has tested it under severe physical, emotional and financial straits.

No one has completed more solo expeditions in the Arctic and the Antarctic than Børge Ousland. Having reached both the North and the South Pole on his own, he will speak about his personal experiences from his recent trip alone across the Arctic from Russia to Ward Hunt Island in Canada in May 2001, including flashbacks from his earlier trips.

These expeditions represent a long process involving many aspects. The execution itself is one thing, but just as important are the preparation, motivation and mental part. He will emphasize some interesting barriers that need to be overcome to be able to achieve such a goal. Courage and willpower are just a few of the criteria needed.

Originally Mr. Ousland was going to share the podium today with Willy Østreng, a Norwegian professor and scholar who has published some 130 research papers on topics such as polar politics, ocean law and politics, resource management, security policy, international regimes and interdisciplinary topics. Unfortunately, ill health prevented Mr. Østreng from being with us today. I wish him a speedy recovery and I'm sure all of you do too.

Mr. Ousland has worked for many years as a deep-sea diver in the North Sea. His fourth book, "Alone Across the North Pole," was published earlier this year. He has also written "Alone Across the Antarctica" (1997), "Alone to the North Pole" (1994) and "Umanak" (1986).

He has published several articles in publications such as National Geographic, Geo and Outside Magazine and has received several international prizes for his expeditions.

Without further ado I give you Mr. Ousland.

Børge Ousland

Thank you Chairman. Your Excellency, ladies and gentlemen:

I'm going to show you some slides. They will be shown at the end of the hall so I hope you can all see the photos of my experiences in the Arctic and Antarctica.

I have done quite a few solo expeditions, but they all started in 1986 when I crossed Greenland. I was 24 years old when I did my first expedition. There has been no other expedition where I have been so cold and so hungry as on that expedition across Greenland. But at the same time there has been no expedition where I've learned more. To be able to learn from your mistakes is valuable.

In 1990, Erling Kagge and myself became the first persons to reach the North Pole unsupported. That started what we have seen for the past 10 to 12 years—light, fast unsupported expeditions to the North and South Poles.

In 1993 I skied across the Franz-Josef Land in Siberia and in 1994 I did my first solo expedition. It was to the North Pole—skiing from Russia all the way to the North Pole and being picked up at the North Pole. For me personally that's probably my most important expedition. I had to break a lot of mental barriers trying things that had never been done before.

In 1995 I had my first go at the South Pole. My task was to cross the Antarctic continent from one coast to the other but it didn't go very well. I had some injuries and had to abandon the expedition after the South Pole. But I didn't stop. Next year I went at it again and crossed Antarctica from Berkner Island to the McMurdo on the

Ross Sea and managed to do that in 64 days. I'm still the only person who has managed to do that.

After Antarctica I had been one time alone to the South Pole, one time alone to the North Pole and one time alone across Antarctica. Of course there was only one pole left to cross and that was the Arctic. But the Arctic is quite special. It's just a thin layer of ice moving with currents and is pressed together, so you have a lot of pressure ridges and pack ice. It is very, very hard to cross. When the pressure on the ice is released, you have open water, which of course is impossible to cross. We have to go a long way around it. Another difficult task at the North Pole is taking all these photos when you are by yourself, especially when you go through the ice.

The North Pole is therefore different and I wasn't really sure if I could make it all the way across the Arctic. On my trip to the North Pole in 1994 I lost 22 kilos. I was 62 kilos when I came back and then I had only gone half-way across. So I wasn't really sure if it was possible to do the whole trek all the way across.

So I went to the mountains, to Bolivia, where I climbed a few high peaks and also to Tibet where I climbed the sixth-highest mountain, 8,200 metres, but still deep down I felt I was an Arctic and Antarctic explorer. I think it's important to take a long time to make big decisions. When I started to question myself whether I should dare to do it, I tried to look at myself 10 years ahead to see if I would regret it if I didn't do it. And the answer was: "Yes I would regret it." Even more important I felt it was better to have tried it and failed than never to have tried it at all, because at least I would know if it was possible or not. If I didn't try it I would always blame myself for not trying. As the chairman said, it is very important to do your best.

Here is a map of the Arctic Ocean. I decided to start from the right side of the map on the Severnaya Zemlya Islands in Siberia and go through the North Pole all the way to Canada. After I had made my decision, it was time to start training. The preparation involved pulling rubber tyres, which I did when it was dark so nobody could see me because I looked like an idiot and felt like an idiot. It's important training because this is what builds up the right kind of muscles. Training and preparation are necessary for going into a dangerous situation and doing it in a safe way. Training is a very important part of my preparation.

After one year of training and planning it was time to go. We flew from Oslo to Moscow on February 19 last year and from Moscow to a place in Siberia called Khatanga. Outside Khatanga there are still people living as they did in the Stone Age. It's very interesting that these kinds of people still live on this earth. But we were going farther north to a place called Sredny, which is one of the northern-most stations in the world.

There I did the final preparations before I went by helicopter the last few miles to my starting point. I packed my sled at the back of the helicopter and started on my most difficult expedition ever. One of the big challenges is just to get on to the Arctic Ocean because the pack ice moves around and it is just like jumping onto a carousel at full speed. And the ocean is actually pulsating. It is opening, it's closing and it is very important to get across this transition phase before it gets dark. But my sled was 170 kilos, which is something like 450 pounds, and I didn't manage to cross this area. I had to camp on thin ice and it was quite calm when I camped, but during the night the ice started to grind. It was grinding all around me the whole night. I had all my clothes on ready to rush out and save my most important belongings and my life. When the morning came the landscape was totally different. All this ice had crashed up against my campsite and the only reason my campsite wasn't hurt was because I put my tent on thicker ice than the surrounding ice.

I survived the first night but I had a very, very hard start because when the second night came I saw that the sled was falling apart. Something had gone totally wrong with the the molding process. That was the biggest shock I had ever encountered and it had never happened to me before. But I was determined to reach my goal so I spent the third day in my tent repairing the sled, drilling over 200 holes in it, and fixing it with parts from my fuel bottles. When I was finished I was quite satisfied with myself but when I see these photos now I know that it would never have lasted all the way. But I was very focused and I didn't want to give up so I kept going with this sled.

Here is the track of a polar bear. Outside Siberia I saw four or five tracks of polar bears every day. There were lots of polar bears and I started to wonder if one was going to show up and of course it did. Here is a mother with two cubs that came sneaking up behind me. I saw them at a distance and I have a gun so I could scare them away. During the day I was not afraid of polar bears but during the night it was different when you are in a tiny little tent and listening for those padded steps outside. You don't really sleep that well when you are out there by yourself. That is why I rigged a trip wire around my camp to scare the bears away. I slept much better. I really needed my sleep out there to be able to perform the day after.

In the end the sled fell apart on me. It was not holding together and my team back in Norway had produced a new sled. I was faced with a very big decision. Should I get a new sled in and continue or should I give up? I must admit that I was much closer to giving up at that stage because getting a new sled in would mean that I would be getting support so I had to find a new meaning for the whole expedition. I was very close to giving up but told myself to think about it for one week. After one week I could give up, but not before.

I knew that when you are really down you don't have a good overview of the situation and you have a tendency to make mistakes. I said to myself to give it time and I would see things in a different way. Things might change. So I decided to get a new sled in and continue and see what happened after one week. If I hadn't done that, I would've been in that helicopter on my way home.

But it was a hard week for me. I really had problems finding a new meaning for the whole expedition after receiving support. I wanted to complete the expedition without support like I had done in Antarctica. How I dealt with my surroundings was very important. The easiest thing was to say it was hard, it was cold, it was a horrible place, but you could also try to make the experience positive. It was beautiful out there and I was privileged to be able to be skiing there. I actually turned the ice from being an enemy into a friend and I had a competition with myself to find at least one piece of art in the snow every day. And I did. There are so many different shapes and colours in the snow. By doing that I managed to get on top again and managed to get back my self-confidence. I managed to lift my head and think about the goal on the other side of the Arctic. I needed that week to be able to do that. I needed to get distance from the problem to make clear sensible decisions.

One of the biggest problems in the Arctic Ocean is the water. I knew that if I was going to accomplish this expedition I had to really go back to nature. I had to more or less think like an animal and act like an animal. Before I went I looked into what animals did to survive out there. How did they do it? What do polar bears do when they come to open water? Well they swim across it and so I thought that I could do the same.

I developed a suit, which was just a thin layer of waterproof material that I could pull over all my clothing and I jumped into the water. I swam across a lead pulling my sled behind me. I must admit that I was a little bit nervous the first time I tried it, but after doing it a few times I knew that I had a very, very important piece of equipment and would always be able to move forward. Nothing was going to stop me. I started swimming across open water and really got my motivation back on top again.

The suit actually made the trip safer because previously I had jumped across very big leads and skied on ice too thin. I had taken too many chances. Now I could travel in a safe way. Even if the suit looks very fragile out there in the water it actually made the expedition safer. You don't have too many friends out there so the friends you get you take good care of. I baptized my suit Captain Nemo.

I talk a lot about the water but 90 per cent of the problem is pressure ridges and pack ice. That's where motivation comes in and why it so difficult to ski across the Arctic or ski to the North Pole. That's why it is so important to take a long time making the decision to do it. You know why you are there. You can have a hard day or a hard time, but still you know where you are going and why you are there. It's a gradual process. Willpower is acquired gradually. If someone had said to me when I skied across Greenland in 1986 that I would ski across the North Pole alone in 14 years I wouldn't have believed him. It was too big a step between my experience at that time and this kind of challenge. But gradually, step by step, I got more willpower, so I think willpower is something you can grow.

Closer to the North Pole strange things started to happen. I ran into drifting logs, that were just sticking up on the ice like toothpicks. A few days after that I met another expedition and that was even stranger—meeting people after being alone for such a long time. On that expedition there were two beautiful girls so for me it was a challenge to leave but I didn't stay there for more than a couple of hours. I think that was good because I had been alone for such a long time and when you suddenly meet people strange things happen to you. You get off balance if you know what I mean. So I was glad I didn't stay there too long.

But the strangest thing of all happened when I reached the North Pole. I arrived at the North Pole on the 23rd of April. I was quite satisfied with myself. I decided to have a rest day and I was in the tent when I heard a helicopter outside. The helicopter landed. I went out to meet it and out of the helicopter came a real Arabic sheik. So the North Pole is not like it was when Amundsen and Peary were there. It was a big circus. I had to share it with many people. When I was at the North Pole, there were about 25 people there at the same time. There was nowhere for me to hide. I had to be social. I had to meet people even if I preferred to be alone. I wanted to be alone with my North Pole but I couldn't. It was nice to meet people but it was so nice when everyone left and I was suddenly alone again.

You could choose the positive side of this experience or the negative side. I chose the positive side, which was that I was more than half-way and if I had made the first half there was nothing stopping me from making the second half.

Now I could turn south for the first time and change course for Canada. After the North Pole the ice actually got much better. The terrain was much better after the North Pole than before the North Pole. This was also the place where I could use my sail. To sail on the Arctic Ocean is not easy and everybody thought it was impossible, even myself. To sail at full speed through the pack ice will result in damages, a broken leg or damaged equipment, so I decided not to use maximum speed. I decided to have as little speed as possible so I developed a sail that I could make bigger or smaller when the wind came with different strengths. It actually worked very, very well and was a breakthrough. I gained more kilometres and also saved a lot of energy this way.

Using all the elements to always be able to move on was my philosophy with this expedition—to work with nature not against it. Other explorers who went to the

North Pole said they were going to ski to the North Pole. I wanted to use all the available elements to reach my goal. Skiing was number one, but swimming across the water and using the winds also helped me move forward.

Sometimes I went through the ice without the suit. I still have nightmares about those experiences. You can be fooled by the ice. I went through three times. Luckily I managed to get up again partly because of my training and partly because my equipment was specially made. I could use my ski tips as spikes to pull myself up. I also had a floating device at the back of my pulling belt so that I would be a little bit higher in the water, which helped me to get out of it.

In May the temperature rose and that is really not good because you need the cold. The cold is the glue that binds the ice together and when it got milder by just a few degrees Celsius the ice started to break up. I got a very powerful storm from the south and four big leads, channels of open water, between Canada and me. Everyone thought I was going to give up when that happened. But I had been out there for so long I was now part of nature and I had developed a kind of skill to read nature and penetrate this white desolate place and to be able to read in the sky where the leads were. This black water was reflected in the sky so by looking at the sky I could find my way across the leads and closer and closer to Canada.

Skiing like this is hard work and hard on the body and injuries I received early on in the expedition just didn't heal. They got worse and worse and my physical condition deteriorated. I skied 12 to 14 hours a day the last part of the expedition to be able to reach Canada before the ice broke up. My body was wearing down and down and nothing was healing. My wounds were getting worse and worse. But mentally I was functioning well and an expedition like this—solo across the Arctic—is 70 per cent mental. The body can be very weak and tired but you can still work if you have the mental capacity. And mentally I was in a good mood. For me the most important part of the whole expedition was the mental part. After being out there for one or two months I got into the depths of myself and had a much better dialogue with myself and nature, when I was alone and didn't have anyone to relate to. For me personally that's the biggest and most important experience and I became the Stone Age man, if you want to call it that, where time more or less ceases to exist. You are just there. You are a part of the universe. You are part of nature. It feels like you've never done anything else in your whole life and for me that was the biggest experience. You don't need answers to the big questions. You are just there, a part of it, working on instincts.

But I did belong somewhere. I didn't belong to the ice and of course I wanted to finish. I wanted to go home and to have my family with me. To have my friends and other people thinking about me and wanting me to succeed was really an important part of my motivation so even if I was alone I never actually felt lonely out there.

Very close to Canada the ice got very bad because the current was pushed up against the land and the ice was thick, three or four metres, crushed over big areas. When the sky cleared I could see land in Canada and that was one of the greatest moments of this trip.

After leaving Siberia 82 days ago, I finally saw land in Canada. That was just a great, great moment and I must admit that there were some tears coming out of my eyes at that moment. When I skied the last day, day 82, towards my goal and knew that this was the day when I was going to finish the expedition I was thinking that what I said to myself outside Siberia was really true. If you could just put one ski-stick in front of the next enough times you would make it. And that was true. I couldn't really understand it but it was really true and it was the last day.

Those kilometres outside Siberia when I wanted to give up and managed to get on top again were the most important kilometres I have ever skied and they sum up what this expedition is really about. There's always a possibility to find a solution to a problem. There is always a way out even if you need to find a new track to reach your goal, as long as you keep on going and don't give up.

Thank you very much.

The appreciation of the meeting was expressed by The Reverend Dr. John Niles, Rector, Victoria Park United Church and Director, The Empire Club of Canada.

Richard J. Hanchar, President, Too Fast Consulting and Professional Race Car Owner, Ann Curran, Director, Corporate Development International and President, The Empire Club of Canada and Vic Bernardini, President, Ashton Martin Jaguar Land Rover Canada.

December 12, 2002

Sir Martin Sorrell

Chief Executive Officer, WPP Group plc

THE OUTLOOK FOR ADVERTISING AND MARKETING FIRMS

Chairman: **Ann Curran**
President, The Empire Club of Canada

Head Table Guests

David L. Lindsay, President and CEO, Ontario SuperBuild Corp. and Director, The Empire Club of Canada; Rev. Dr. John Niles, Victoria Park United Church and Director, The Empire Club of Canada; Colleen Moorehead, President, E*TRADE Canada; Beth Horowitz, President and General Manager, Amex Canada Inc.; Ivan Fecan, President and CEO, Bell Globemedia; Sir Andrew Burns, British High Commissioner; Bart Mindszenthy, APR, FCPRS, Partner, Mindszenthy and Roberts Communications Counsel and 2nd Vice-President, The Empire Club of Canada; Frank Maw, President and CEO, Motorola Canada Limited; Alain Batty, President and CEO, Ford Motor Company of Canada; Michael Coates, President and CEO, Hill & Knowlton Canada; and Gordon M. Nixon, President and CEO, Royal Bank of Canada.

Introduction by Ann Curran

Sir Martin Sorrell is Chief Executive Officer of WPP Group plc, a post he has held since founding the company in 1986. Over this period, WPP has become one of the world's leading communications services companies. The group is a member of the FTSE-100, FTSE-Eurotop 300, the MSCI and Business Week's Global 1000 companies.

WPP's 90 operating companies, including Hill & Knowlton, J. Walter Thompson, Millward Brown and Ogilvy & Mather provide national, multi-national and global clients with advertising, media investment management, information and consultancy, public relations and public affairs, branding and identity, health-care and specialist communications services. The group employs 64,000 people in 1,400 offices in 103 countries. Clients include more than 300 of the Fortune Global 500 and over half of the Nasdaq 100.

Before founding WPP, Martin Sorrell held a number of positions. From 1977 to 1984, he was Group Finance Director of the advertising agency group, Saatchi & Saatchi Company PLC and instrumental in planning and implementing its international expansion.

His background also includes working as business and financial advisor to British food retail entrepreneur James Gulliver and with the Mark McCormack Organization in London, where he managed the commercial and financial affairs of sports personalities and celebrities.

Now for a man so steeped in the advertising world it may come as a surprise to some of you that he has never penned a line of copy or conducted a pitch to win a client's business. According to the April 2002 edition of Wired Magazine: "Most people are drawn to the creative side of advertising and marketing. With an economics degree from Cambridge and a Harvard MBA, Sorrell saw the beauty of the business side—a great generator of cash, without costly factories, R&D budgets, or inventory to lug around."

In 1986, Martin Sorrell spotted a small, publicly traded manufacturer of wire shopping baskets known as Wire & Plastic Products. He bought control of the company and eventually, through acquisitions, turned WPP into one of the world's largest marketing and communications companies.

Success like this just doesn't happen. The advertising business like many other service industries went through the wringer during the '90s and last year, needless to say, was brutal.

WPP is diversifying—growing the research division, building up Web operations and building a broad worldwide network to handle the rise of a global consumer culture. In fact, Asia and Latin America now account for about 17 per cent of its revenue.

In 1997, Mr. Sorrell was appointed an Ambassador for British Business by the Foreign and Commonwealth Office and subsequently appointed to the office's Panel 2000 aimed at rebranding Britain abroad.

In 1999, he was appointed by the Secretary of State for Education and Employment to serve on the Council for Excellence in Management and Leadership and this year was appointed a member of the Committee for the Special Olympics, serving on the Board.

It is not surprising that the British advertising publication campaign calls Mr. Sorrell "one of the most famous workaholics on the planet."

However, there is a silver lining. Two years ago, Martin Sorrell was knighted in the millennium, alongside Richard Branson, Sean Connery and other distinguished individuals for advancing Britain's stature.

Ladies and gentlemen, I give you Sir Martin Sorrell.

Martin Sorrell

Thank you Madam President and Reverend Niles and ladies and gentlemen. It is a pleasure to be here particularly after such a flattering introduction, which would absolutely delight my mother, but probably nobody else.

You forgot to mention Young and Rubicam and other companies such as Berson-Marsteller and I should mention them. It's not true that I haven't conducted a pitch. I have actually done one or two, but it is true that I haven't penned copy, of which David Ogilvie was always quick to remind me.

I thought I would use this opportunity to talk about how we see the challenges facing our clients. I am pleased to say a number of them are represented on the podium.

I thought I would talk about the challenges that face our clients and to do that I have to talk about WPP. It is not an ad but talking about our strategic objectives sets the stage for what our clients are doing. Obviously if we're going to be successful we will only be successful if we're doing what our clients really believe they should be doing. So I'll talk a little about that and then the thesis is the following: the short-term is going to continue to be tough. I don't think 2003 will be materially better than 2002 or indeed 2001 and certainly nowhere near the stratospherics that we saw in 2000—the tulip mania and the South Sea bubble. It had to stop. It couldn't carry on forever and the correction that is taking place in most of the economies of the world is I think fundamentally sound and healthy. Expectations were raised too high.

Having said that, however, I think things will change in 2004 and some things that have been happening recently give me even more encouragement. I am talking about the changes in administration south of the border. I feel that in 2004 we will witness a change and I will come to that in a minute.

In the long term, I think the underlying trends for the advertising and marketing services business are very healthy. I think our business, which at its heart is about differentiation (we are in the business of differentiation of products and services), is going to be strong and very successful. In other words, advertising and marketing services as a proportion of GNP will bust through the cyclical highs that we saw in the year 2000 at the top of the next cycle.

Having said that, let me just say three things about WPP, which I think are very important. And those are the three strategic objectives that we have. The first is that currently about 45 per cent of our business is in the United States, about 35 per cent is in Europe and 20 per cent approximately is in Asia-Pacific, Latin America, Africa and the Middle East. It is that last piece that really is the most important part of our future. There are currently a billion people in India and 1.3 billion in China, which in the context of the U.S. market (280 million) really puts it in perspective. By the year 2014, two-thirds of the world's population will be in Asia-Pacific and Latin America. I'd remind you that we are going to have an Olympic Games in 2004 in Athens. The 2008 Beijing Olympics will be a major event. The Chinese government has already committed $45 billion in infrastructure investments around the Olympic Games and last week we saw the Expo 2010 awarded to Shanghai and Shanghai has already invested

$3 billion in that market too. It is an extremely strong base for future development. Asia-Pacific, Latin America, Africa and the Middle East will be about a third of our business in five or 10 years' time. So it will be U.S. a third, Europe a third, Asia-Pacific, Latin America, Africa and the Middle East a third.

The second major objective is that our business, which is currently 45 per cent advertising and 55 per cent other (market research, direct interactive, Internet-based activity, public relations and public affairs, branding, identity health care and specialist communications) will switch from 45–55 to one-third–two-thirds. Now that doesn't mean that people in our advertising businesses should get dispirited about the prospects for advertising. What it means is the non-network television parts of our business will become fundamentally important. Cable and satellite obviously. You saw recently the ratings for the end-of-season "Sopranos," the highest audience on cable, certainly higher than anything on network television and we are seeing the ramifications of that in other media such as radio and outdoor and direct and public relations and market research and the like.

And within that, the third objective is also important. Our direct business, our Internet business, not exactly fashionable after the compression that we have seen since 2000 and our research business is about a third of our $6 billion of revenue. So $2 billion of our revenue comes from those areas. Over the next five to 10 years I anticipate it will be half of our business, because measurability, tangible measurability of what our clients do and how they spend their money on communications, is going to become increasingly important. So that's the background on what our clients are doing.

Let me say a little bit about the short term. I've touched on it already.

I don't think we will see a significant economic recovery from the current position until 2004. Why do I say that? Clearly President Bush will want to be re-elected for a second term. That always underpins the quadrennial cycle which comprises the American presidential election, the Olympic Games which in 2004 will be in Athens, the football cup, the European Cup in Germany, which will also be stimulative, and we'll have heavy political advertising which will squeeze the media markets and improve media pricing in a similar way that we saw in the congessional elections earlier this year in the United States. So I think the basic background for 2004 is strong. But the recent changes in the administration, the treasury secretary and the support to the treasury secretary in time, are indicative of a significant change—a move away from Friedmanite monetarist policies, which concentrate purely on controlling inflation to a more Keynesian fiscal-based policy. The comments made by Treasury Secretary Snow a few days ago are very revealing I think in his reference to the right of everybody to a job. This is the sort of thing that I haven't heard from major administration figures for a number of years, certainly since I graduated from university in the mid-sixties. So I think there will be a shift in financial policy away from monetary policy to fiscal policy. Any invasion of Iraq, if it were to come early next year, obviously would have some fiscal stimulatory effect in the medium to long term although the short-term effects would not be pleasant and there will be considerable dislocation as a result.

The long-term picture I think is much more attractive. And I want to cover four or five points that I think are fundamental to the way our clients think about their business. I should emphasize that about 40 per cent of our business is with 40 major multi-national clients, 29 of whom are based in the United States and North America as a whole, including Canada, about 10 of whom are based in Europe and one of which is based in Asia-Pacific and Latin America. That gives you an idea of the balance of our clients, but the first point really is the background to their expansion. About 20 years ago there was an article written by Theodore Levitt in the Harvard Business Review about globalization. When I was at Saatchi we seized that article and distributed it to clients and we told them that that was the new way of thinking. You may remember that Levitt's thinking was that we were going to market and develop products on a global basis in very much the same way and that advertising and communication would be very similar. I think 20 years on from that article the position is actually very different. I think Theodore Levitt was basically wrong. The consumers are more interesting for their differences rather than their similarities. And I would say only about 10 to 15 per cent of our business is truly global in the Levitt sense.

What's been happening in the last 20 years in our view is not globalization. The world is not being globalized. It is being Americanized. And I don't mean Americanized in the sense of cultural imperialism. I mean economic imperialism. The simple fact is that if you want to develop a global brand or product on a worldwide basis you have to dominate the U.S. market. Why? It's big in advertising. It's about six or seven times bigger than the U.K. market. About 40 or 45 per cent of advertising on a worldwide basis emanates from the U.S. If I want to be more controversial, I could say that almost two-thirds of it is controlled, or to be more politically correct, influenced by U.S.-based corporations, pretty much in the north-east corridor of Detroit, Boston, Chicago, New York and Washington. There are big corporations elsewhere but that's the heartland. If you want to raise money through equity or debt you have to do it in the U.S. markets; they're more efficient; they're more effective. And finally it is their technological lead. I'm hard-pressed to think of any area where the Americans don't have a significant technological lead. The average U.S. multi-national corporation is still 70-per-cent U.S. and 30-per-cent outside. So there is a lot of global expansion to come. The one check to American hegemony—financial, political and economic—will come obviously from China. And clearly China is the productive base that is the challenge to America in the longer term. So that's the first point.

The second point is that in every single category of our work with clients, there is severe over-capacity. Our largest client is Ford Motor Company. It operates in an industrial segment where world car and truck manufacturers can produce 80 million units. Consumers can only consume 60 million units. There is a clear disconnect there and you can see the way the industry will go. You can see the consolidation of Ford itself, as has been done with Volvo, with Mazda, with Jaguar, with Land Rover. You can see what's happened with GM and what may happen between GM and Renault. You can see Daimler and Chrysler and Mitsubishi, Renault and Nissan. There is more to come. The capacity economics of it means there is more to come.

And what is happening in Detroit at the moment between the big three U.S.-based car manufacturers is unpleasant and in the long term probably uneconomic. Led by GM there is heavy price competition. It is not the way to build brands. It is the way to commoditize products. Giving cars away and giving trucks away stimulate sales but what you've got is really break-even economics at full capacity. That is not a situation that can last in the long term. And if you cut prices, you create commodities. If you build innovation and product you create brands. So you have a situation there as a result of over-capacity which I think in the long term is probably untenable.

The interesting thing is that whilst there is over-capacity in production, where is there under-capacity? And the answer to that is in human capital. In the nineteenth and twentieth centuries the problem was getting goods and services to market. The question was: "Could we produce enough for the consumer?" In the twenty-first century that's not the issue. You have over-capacity in the sectors

I've indicated, food manufacturing is another area, telecommunications, computers another area, but there's a shortage of people. All the demographic statistics—birth-rates, marriage rates, aging of the population, single-parent families, divorce rates—are indicating that the supply of human capital is going to be under greater and greater pressure. The competitive battle will be between corporations, not on the basis of differentiating their businesses tangibly, but intangibly through lifestyle, philosophical differences, and also by the behaviour of people inside companies.

Motivating the 65,000 people at WPP is a terribly difficult task, particularly so given our multi-branded structure. If we were uni-branded it might be easier. But given the fact that there are dis-economies of scale in our business, keeping the tribes as I call them separate and customer-facing is critically important. But what we have to do is to stimulate and motivate the 65,000 people at WPP and to get them to face in the same direction at the same time. And that is an issue that our clients are facing with increasing intensity. Identifying, rewarding, motivating and keeping people in the long term is going to be critically important.

The next point is the Web. It is fashionable to decry the Web and to say that, since 2000 and the compression that we saw, the Web is no longer as important as it has been. We think completely opposite. One-sixth of our business ($1 billion of revenue out of $6 billion) comes from Web-related activities using a fairly narrow definition. Why do we think the Web is going to continue to be important?

The first reason is that most of our businesses continue to be threatened by disintermediation. Let me give you one example in our business. Our research business, which is another billion-dollar business, traditionally does research in two ways—mail and telephone. We've created an Internet-based panel called Lightspeed, which is connected to 600,000 consumers in North America. We can instantaneously—overnight or during the course of a day—get answers to research issues that historically have taken three to six months to develop. Most CEOs, some of whom are represented in this room, express tremendous frustration that the answers to research issues often come back after the problem is changed. That is an example of disintermediation in our industry. You can also be disintermediated by businesses, which are invested in by institutions in a totally different way. Institutions look at WPP on the basis of growth in margins, growth in cash flow, earnings per share, return on capital, but for the new companies they don't. Despite what happened in the year 2000, and the collapse of many Internet-based companies, they still look at them on the basis of sales growth and market-share growth. So they are evaluated on a different basis.

Another issue is that it still steals your people. We lost a number of people during the Internet boom to the new start-ups—young people, bright people, intelligent people—who didn't want to work in large bureaucratic companies. And a number of them, I'm glad to say, have come back to us. I've conducted re-entry interviews and I expected them to grovel for their jobs. I have to tell you it is bad news. They don't grovel. They would far rather go back to those small, unstructured, entrepreneurial lively companies where they didn't have to deal with bureaucracy. The error of apprenticeship is over. The loyalty to companies was destroyed by the downsizing that we saw in the '80s and the '90s.

Two other quick points. The first is the importance of internal communications. I would say that well over half of what we do, somewhat puzzlingly to some people, is actually aimed at internal audiences rather than external audiences. I've talked about the importance of human capital, about getting people to face the same direction at the same time. That is going to be a critically important factor. A lot of the advertising that we do, the branding and identity that we do through companies such as Landor or Enterprise, the research that we do through Millward Brown etc. or Research International, the public relations that we do through Burson or Hill & Knowlton, are aimed at internal audiences as much as they are aimed at external audiences. And the reason for this is very simple. If you can get your people onside internally to your strategy and your structure, they will send out positive messages to customers' suppliers, potential employees, institutional investors, analysts, trade, television, NGOs, the government, all the communities that we have to manage.

And the final point is the issue of distribution. The biggest challenge to most of our clients is the concentration of distribution. You have concentration amongst clients. You have concentration amongst media owners, which is going to intensify. You have concentration amongst agencies, but you also have concentration amongst distribution and retailers. The statistic that I thought was amazing in the recent PNG filing was that 17 per cent of PNG sales go through Walmart. There are more people who go to Walmart than go to church on a Sunday in America. Walmart is a phenomenon. It is a trillion-dollar company already and it's just one of the examples. It's not just concentration in the obvious areas that I have just mentioned. I was talking to one media owner recently and I asked him: "What's your biggest problem?" He said: "Distribution." This is what most package-goods companies will say. Their biggest problem is distribution—controlling distribution or influencing distribution. I said: "How could distribution be important in the context of a magazine and media company?" And he said that 10 per cent of their volume goes through Walmart and Walmart is putting tremendous pressure on the magazine in terms of cover prices on their returns. The real problem for him was that 10 per cent of his sales was significant but for Walmart it was almost a rounding error.

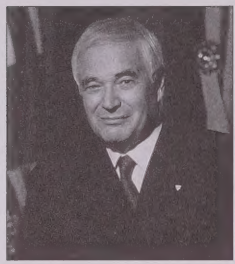
And therefore he was dealing with second- or third-level procurement people who weren't exactly sympathetic to his case.

Advertising was created to appeal over the heads of retailers and wholesalers direct to the consumer. And therefore the role of advertising and the other things that we do outside advertising are going to increase in importance over the coming years.

So to sum up, short term it will not be easy. I don't think 2003 will be an easy year although easier than 2002. I think 2004 will be a much better year. Maybe we will start to worry in 2004 and 2005 about the impact of fiscal stimulation on inflation, but it will be a shift in thinking. I do think in the medium term things will be better. And then finally there are a number of fundamental issues which are driving our clients' businesses and our business that will ensure, I have no doubt, that advertising and marketing services as a proportion of GNP will bust through cyclical highs yet again at the top of the next cycle.

Thanks very much indeed.

The appreciation of the meeting was expressed by Bart Mindszenthy APR, FCPRS, Partner, Mindszenthy and Roberts Communications Counsel and 2nd Vice-President, The Empire Club of Canada.



December 19, 2002

The Hon. James K. Bartleman

Lieutenant-Governor of Ontario and
Author, "Out of Muskoka"

CHRISTMAS LUNCHEON

Seasons Greetings from The Hon. James K. Bartleman

Chairman: **Ann Curran**
President, The Empire Club of Canada

Head Table Guests

David A. Edmison, Investment Counsellor, Past Chair, The Bloorview MacMillan Children's Foundation, Chair, The Empire Club Foundation and Past President, The Empire Club of Canada; Owen Rafferty, Student, McMaster University and Volunteer, Canadian Foundation for AIDS Research; Pamela Johnston, Anishnawbe Health Toronto; Daniel Broderick, The Yonge Street Mission; Sue Cox, Executive Director, The Daily Bread Food Bank; Andrew Brown, The Yonge Street Mission; The Most Reverend Terence E. Finlay, Archbishop of the Ecclesiastical Province of Ontario, Archbishop of The Diocese of Toronto Anglican Church and Honorary Chaplain, The Empire Club of Canada; Gareth S. Seltzer, Investment Banker, Director, Breakfast For Learning, Director, The Seltzer Chan Pond Inlet Foundation and Past President, The Empire Club of Canada; Eileen Coulton, The Empire Club of Canada "Community Service Award" Recipient for 2002–2003 and Co-Founder, "Inasmuch"; David Adcock, Managing Director, The Yonge Street Mission; Jack

Nederpelt, President, Heidrick & Struggles; and Denise Toulouse, Anishnawbe Health Toronto.

Introduction by Ann Curran

Ladies and gentlemen, I'd like to introduce our very special guest speaker.

The Hon. James Bartleman was sworn in on March 7th as the 27th Lieutenant-Governor of Ontario, following 35 years in Canada's foreign service. During his career, Mr. Bartleman was Canada's Ambassador to the European Union from 2000 to 2002. Prior to this, he was High Commissioner in Australia, South Africa and Cyprus and Ambassador in Israel and Cuba. From 1994 to 1998 he was Foreign Policy Advisor to the Prime Minister and Assistant Secretary to the Cabinet for Foreign and Defence Policy.

It sounds like you earned some air miles.

Mr. Bartleman was born in Orillia and grew up in Port Carling. He is a member of the "Mnjikaning" First Nation.

During his time in office, His Honour hopes to address three areas of need: mental health, anti-racism and support for aboriginal communities, especially young people.

Today, we are especially fortunate that His Honour will address not only these issues of importance but also he brings with him his recently published book "Out of Muskoka"—a revealing look at his life and in some respects, ours. All proceeds from the sales of "Out of Muskoka" go directly to the National Aboriginal Achievement Foundation to help fund student scholarships for aboriginal students.

Ladies and gentlemen, the Lieutenant-Governor of the province of Ontario and author, The Hon. James K. Bartleman.

James K. Bartleman

In the midst of this festive occasion and before I launch into my remarks, I invite you to pause and stand with me to pay our respects to the Rt. Hon. Ramon John Hnatyshyn, who passed away yesterday. In remembering the personal warmth and distinguished service of Canada's 24th Governor General, and your former Honorary President, let us observe a minute of silence at this time. Please rise.

Thank you. Please be seated. I have sent condolences to Mrs. Hnatyshyn and her two sons on behalf of the people of Ontario.

In attending this Christmas luncheon, it is a pleasure to find myself in such good company—or perhaps I should say in the company of such good people as my fellow head table guests from the Yonge Street Mission, the Anishnawbe Health Centre, and the Daily Bread Food Bank. As Honorary Vice-President of The Empire Club of Canada, I am delighted to attend your annual Christmas luncheon for the first time. It is my last public event this year—a pleasant end to a very busy and exciting year, not just for me but for our province.

We celebrated our Sovereign's Jubilee by investing loyal Canadians who have served this country well with the Golden Jubilee Medal. Ontarians turned out in great numbers to see the Queen and Prince Philip on their Royal Tour and we played host in July to many thousands of young people, who journeyed here from around the globe to celebrate World Youth Day with His Holiness the Pope.

Since my installation as Lieutenant-Governor in March, I have visited 37 communities around the province, and participated in more than 425 events. If I seem a little hoarse, that's because I've given 135 speeches—and have still not run out of things to say.

I also managed to find the time to complete the first part of my memoirs, "Out of Muskoka," the proceeds of which will go to the National Aboriginal Achievement Foundation to fund scholarships for First Nations youth. I wrote the book, not just as a memoir, but also to fill a gap in the history of my home area. And I'm happy about the way in which people have responded, especially in Muskoka. The mainstream community there has shown an interest in my stories, while the Native people are happy that their forgotten role in the history of that area is being told.

However, my accomplishments this past year pale in comparison with the achievements of many people I have met during my travels around Ontario. After 35 years in the Foreign Service, I can safely say that I have met some charismatic individuals during my postings abroad. It's heartwarming, then, that I should come home to Ontario to meet some of the most remarkable people I have ever encountered. In fact, it is one of the real privileges of this position to have the chance not just to meet them, but also to offer public recognition for the wonderful work they do.

It was an honour for me to give a Caring Canadian Award to a lady from near Hamilton who, despite being confined to a wheelchair herself, acts as an advocate for elderly people, so that they can live in their own homes for as long as possible. I presented the Ontario Medal for Good Citizenship to a woman who has combined a full-time career as a teacher with a 20-year campaign to end violence against women and children, at home and abroad.

Earlier this year, I gave a Senior Achievement Award to a man whose lifelong passion for helping others is a legend in his community, even though he only arrived in Canada from Pakistan 10 years ago. And, at the other end of the age scale, I met an Ontario Junior Citizen of the Year, who has fitted more charitable work into his seven years than most of us can claim in middle age.

These are just a few of the people I have met this year, who are doing good things for their communities. I am pleased to do what I can to bring these "local heroes" the recognition they deserve and to encourage others to follow their example, which is why I look forward today to taking part in the presentation of this year's Empire Club of Canada Award to another extraordinary individual who is making a significant impact on our community as a volunteer. But, before we do so, it is my great pleasure to bring you season's greetings, and to wish you all a New Year filled with peace and joy.

The appreciation of the meeting was expressed by Gareth S. Seltzer, Investment Banker, Director, Breakfast For Learning, Director, The Seltzer Chan Pond Inlet Foundation and Past President, The Empire Club of Canada.

Major William (Bill) Duncan, Honorary Director, The Empire Club of Canada, Annabel Duncan (Wife of Bill Duncan) and The Hon. James K. Bartleman, Lieutenant-Governor of Ontario and Honorary Vice-President, The Empire Club of Canada.

Nancy Lockhart, President, The Canadian Club of Toronto, The Hon. John Manley, PC, MP, Deputy Prime Minister and Minister of Finance and Ann Curran, Director, Corporate Development International and President, The Empire Club of Canada.

Linda Hasenfratz, President and CEO, Linamar Corporation, Margaret Hasenfratz, John C. Koopman, Vice-President, Spencer Stuart and 1st Vice-President and President-Elect, The Empire Club of Canada and Tony Comper, Chairman and CEO, BMO Financial Group.

His Excellency, Mr. Ingvard Havnen, Norwegian Ambassador to Canada, Royal Norwegian Embassy in Ottawa, Rita Hoff, Director, Canaccord Capital Corporation and Wife of Eivind Hoff, Consul General, Eivind Hoff, Consul General, Royal Norwegian Consulate General, Toronto and Doug Morris, President, Morris Glass Inc. and Director, The Empire Club of Canada.

Ann Curran, Director, Corporate Development International and President, The Empire Club of Canada, The Hon. Janet Ecker, MPP, Minister of Finance and Gordon K. McIvor, Vice-President, Public and Government Affairs, Canada Lands Co. Ltd. and Immediate Past President, The Canadian Club of Toronto.

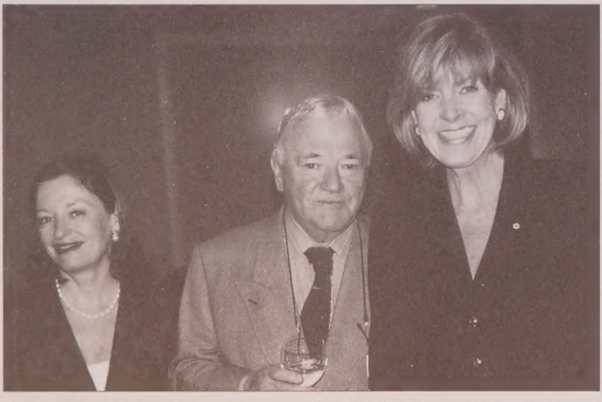
The Hon. John Manley, PC, MP, Deputy Prime Minister and Minister of Finance, Gordon K. McIvor, Vice-President, Public and Government Affairs, Canada Lands Co. Ltd. and Immediate Past President, The Canadian Club of Toronto and Karen Maidment, Executive Vice-President and CFO, BMO Financial Group.

Avrum Laurie, "Honours" OAC Student, North Toronto Collegiate Institute, Jocelyn Badovinac, UE, MEd, DH, Specialist in Special Education and Archivist, The Empire Club of Canada and Derek K. Chan, Student of Computer Engineering, McMaster University.

Tony van Straubenzee, Associate, Insite Institute and Past President, The Empire Club of Canada, Ann Curran, Director, Corporate Development International and President, The Empire Club of Canada and His Royal Highness The Duke of York.

The Hon. David Miller, Mayor, City of Toronto, Ann Curran, Director, Corporate Development International and President, The Empire Club of Canada and His Royal Highness The Duke of York.

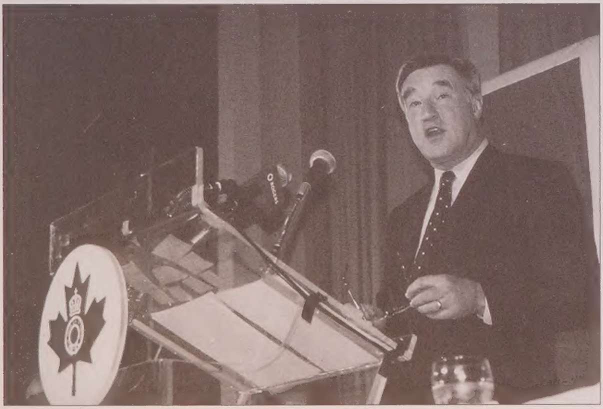
Ann Curran, Director, Corporate Development International and President, The Empire Club of Canada, Tony Clement, MPP, Minister of Health, Ontario and Dr. Dieter Zetsche, President and CEO, Chrysler Group.



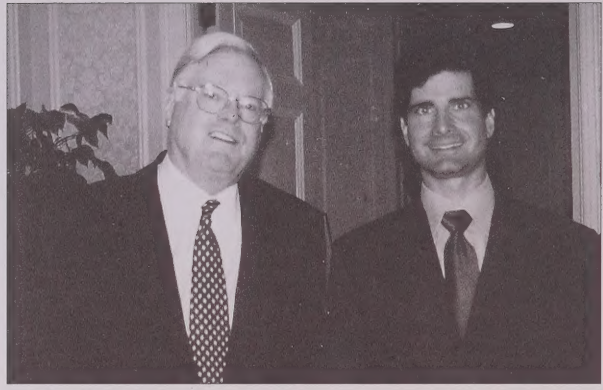
Anne Fotheringham, Owner, Fotheringham Fine Art and Director, The Empire Club of Canada, Allan Fotheringham, Author and Columnist and Sally Armstrong, Author, "Veiled Threat."

Past Presidents' Dinner (100th year)
Past Presidents and Directors of The Empire Club of Canada

Gareth Seltzer, President, TWS Private Management and Past President, The Empire Club of Canada, The Hon. James Baker III, Senior Partner, Baker Botts and 61st Secretary of State, United States of America and Ann Curran, Director, Corporate Development International and President, The Empire Club of Canada.



Vernon Ellis, International Chairman, Accenture.



Michael F. Kergin, Canadian Ambassador to the United States and Kevyn Nightingale, Partner, International Tax Services Group and Treasurer, The Empire Club of Canada.

Heather Ferguson, Director, Development and Alumni Relations, Faculty of Nursing, University of Toronto and Director, The Empire Club of Canada, Ann Curran, Director, Corporate Development International and President, The Empire Club of Canada, Maj. The Hon. Mr. Joseph H. Potts, OStJ, CD, QC, Past President, The Empire Club of Canada, Verity Craig, Principal, Carmichael Birrell & Co. and Director, The Empire Club of Canada and Heather C. Devine, Associate in Litigation, Faskin Martineau DuMoulin LLP.

Betty Wood, National Manager, Personal and Commercial Banking, RBC Financial Group, Matt Wood, OAC Student, Nelson High School and Dr. Donald E. Panoz, Owner, Panoz Motor Sports, Founder, American "Le Mans" Series and Founder, "Trans-Am" Series.

Sheila Fraser, Auditor General of Canada, MGen Reginald W. Lewis, CMM, CM, CD, Past President, The Empire Club of Canada and Rabbi Perry Cohen, Facilitator, Teacher and Author.

Elizabeth Reaney, Student, Trinity College, Catherine Buttler, Student, Trinity College, Jocelyn Badovinac, UE, MEd, DH, Specialist in Special Education and Archivist, The Empire Club of Canada, Peter Joslin, Student, Trinity College, College Editor, Professor Robert J. Birgeneau, President, University of Toronto, Jeremy Berman, Student, Trinity College, Head of Non-Residence, Thomas Ringer, Student, Trinity College, Rhodes Scholar, Zinta Zommers, Student, Trinity College, Rhodes Scholar, Craig Kielburger, Freshman Student, Trinity College, University of Toronto, Founder "Free the Children," Nominee, Nobel Peace Prize and Author and Edward P. Badovinac, KH, CET, OLJ, Chairman, Good Neighbours' Club and Director, The Empire Club of Canada.

Tulla Bateman-Parkin, Marketing Director, National Ballet School of Canada and Reverend Kim Beard, Rector, Christ Church, Brampton and Chaplain, The Empire Club of Canada.

Fancisco Gomez, Regional Vice-President and General Manager, The Fairmont Royal York and The Hon. James Baker III, Senior Partner, Baker Botts and 61st Secretary of State, United States of America.

John Hunkin, Chairman and CEO, CIBC, Tony Comper, Chairman and CEO, BMO Financial Group and Ken Chenault, Chairman and CEO, American Express.

Ann Curran, Director, Corporate Development International and President, The Empire Club of Canada, Peter Mansbridge, Chief Correspondent, CBC Television News, Anchor, "The National" and Host, "Mansbridge: One on One," and Reverend Canon Ebert Hobbs, Chair, Royal Commonwealth Society, Toronto Branch, Honorary Assistant, St. Paul's (Bloor Street) Church and Retired Chairman, DVA Navion Canada.

The Hon. James Baker III, Senior Partner, Baker Botts and 61st Secretary of State, United States of America and The Hon. Barbara McDougall, President and CEO, Canadian Institute of International Affairs.

Matthew Coon Come, Grand Chief, Assembly of First Nations and Jim Carter, Chairman of the Board, Mining Association of Canada and President and CEO, Syncrude Canada Ltd.

Jim Excell, President and CEO, Ekati Diamond Mine and BHP Billiton Diamonds Inc. and The Reverend Prue Chambers, Rector, St. Nicholas Anglican Church.

Marie C. Rounding, Chair, Board of Directors, Canada's National Ballet School, Jeannie Butler, President, Positive Changes and Chair, Canada's National Ballet School and Ashley La Fond, Grade 11 Student, North Toronto Collegiate Institute.

Mark R. Daniels, Chair, Financial Services Council of Canada, President and CEO, Canadian Life and Health Insurance Association and Michael Lauber, Ombudsman and CEO, Ombudsman for Banking Services and Investments.

Her Excellency, Maria Teresa Garcia Segovia de Madero, Ambassador of Mexico to Canada, Harry Swain, President, Trimbelle Limited and Director, The Empire Club of Canada and The Hon. Michael H. Wilson, Chairman and CEO, UBS Canada and Former Minister of Finance for the Government of Canada.

Munehiko Hino, President, NYK Line (Canada)) Inc., Verity Craig, Associate, Carmichael Birrell & Co. and Director, The Empire Club of Canada and David Cardin, President, Maersk/Sealand.

Bonnie Brownlee, Vice-President, Communications, Astral Television Networks Inc., Pamela Wallin, Canada's Consul General to New York and Angela Ferrante, Senior Vice-President, Corporate Communications, BMO Financial Group and Director, The Canadian Club of Toronto.

His Eminence Archbishop Yuriz, Bishop of Toronto and the Eastern Diocese of the Ukrainian Orthodox Church of Canada and Viktor A. Yushchenko, Former Prime Minister of Ukraine.

Bill Sinclair, Director and CEO, West Toronto School of Excellence and Member, Committee for the International Royal Commonwealth Society Essay Competition and Catherine R. Charlton, MA, Principal, Charlton Fundraising Management and Past President, The Empire Club of Canada.

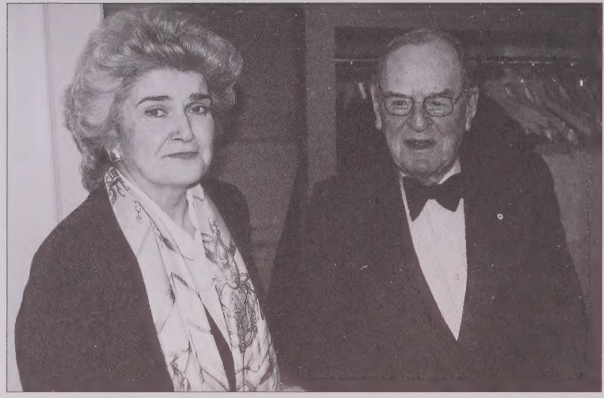
EMPIRE CLUB

Eileen Coulton, The Empire Club of Canada "Community Service Award" Recipient for 2002–2003 and Co-Founder, "Inasmuch," The Hon. James K. Bartleman, Lieutenant-Governor of Ontario and Author, 'Out of Muskoka," and David A. Edmison, President, Martin Lucas & Seagram Independent Investment Council, Past Chair, Bloorview MacMillan Childrens' Hospital Foundation, Chair, The Empire Club Foundation and Past President, The Empire Club of Canada.

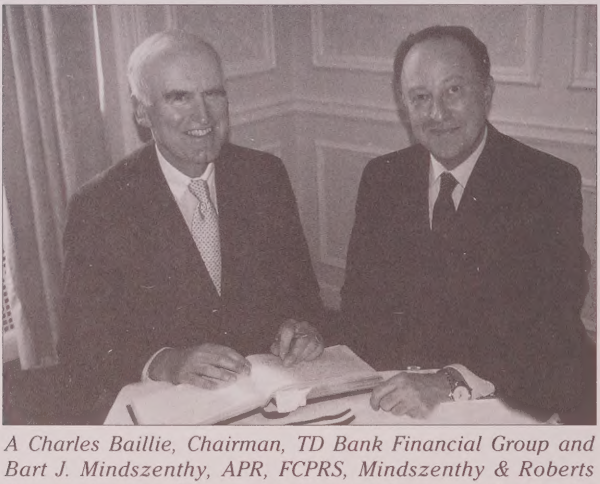
Dr. Donald E. Panoz, Owner, Panoz Motor Sports, Founder, American 'Le Mans" Series and Founder, "Trans-AM" Series.

Zinta Zommers, Student, Trinity College, Rhodes Scholar, Professor Robert J. Birgeneau, President, University of Toronto and Craig Kielburger, Freshman Student, Trinity College, University of Toronto, Founder "Free the Children," Nominee, Nobel Peace Prize and Author.

Peter M. Aitken, Partner-Director, Brawley-Cathers, Frank Button, Vice-President and General Manager, Orenda Aerospace Corporation and James C. Temerty, Chairman and CEO, Northland Power Inc.



The Hon. Heather Smith, Chief Justice, Superior Court of Justice, Ontario and The Hon. Barnett Danson, PC, OC, Consultant and Honorary Director, The Empire Club of Canada.



A Charles Baillie, Chairman, TD Bank Financial Group and Bart J. Mindszenthy, APR, FCPRS, Mindszenthy & Roberts Communications Counsel and 2nd Vice-President, The Empire Club of Canada.

Purdy Crawford, Chairman, A&T Canada Corp., Fred Sorkin, Chairman and CEO, Hummingbird, John McLennan, Vice-Chairman and CEO, AT&T Canada Corp. and Ted Rogers, President and CEO, Rogers Telecommunications Inc.

The Hon. Jim Peterson, Member of Parliament, Willowdale and Catherine S. Swift, President, CEO and Chairman of the Board, Canadian Federation of Independent Business and Director, The Empire Club of Canada.

The Royal St. George's College Choir.

Celebrating 100 Years

His Royal Highness The Duke of York and Ann Curran, Director, Corporate Development International and President, The Empire Club of Canada.

Ann Curran, Director, Corporate Development International and President, The Empire Club of Canada, and Richard Hanchar, President, TFC North American Inc.

Mark R. Daniels, Chair, Financial Services Council of Canada, President and CEO, Canadian Life and Health Insurance Association, Peggy-Ann Brown, Chair, Board of Directors, Ombudsman for Banking Services and Investments and Raymond J. Protti, President and CEO, Canadian Bankers Association.

William J. Cooke, President, The Cooke Group Inc., John Vice, President, Marten Management, Louise Cooke, Trustee, Burlington Art Centre Foundation, Wendy Rizzo, Partner, Rizzo Holdings, Peggi DeGroote, President, D Designs! and Leslie Bullock, Past President, Burlington Art Centre Board of Directors.

Gordon M. Nixon, President and CEO, Royal Bank of Canada and Ivan Fecan, President and CEO, Bell Globemedia..

The Hon. Senator James F. Kelleher, PC, Senate of Canada and Ruth Fothergill, Vice-President, Corporate Outreach, Export Development Canada (EDC).

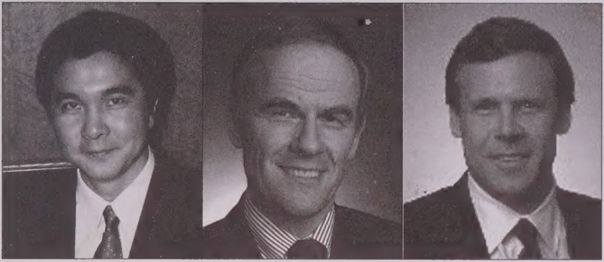
Bart J. Mindszenthy, APR, FCPRS, Partner, Mindszenthy & Roberts Communications Counsel and 1st Vice-President and President-Elect, The Empire Club of Canada and Fred Gorbet, Director, The Empire Club of Canada.

LCol A. G. (Sandy) Cameron, CStJ, CD, AdeC, Senior Aide de Camp to the Lieutenant-Governor, Past Chairman, Good Neighbours' Club and Director, The Empire Club of Canada, Dr. Dieter Zetsche, President and CEO, Chrysler Group and Robert A. Renaud, Vice-President, Public Affairs and Government Affairs, DaimlerChrysler Canada Inc.

George Cooke, President and CEO, The Dominion of Canada General Insurance Company and Past President, The Empire Club of Canada and His Royal Highness The Duke of York.

Michael H. McCain, President and CEO, Maple Leaf Foods Inc. and Robert J. Dechert, Partner, Gowling LaFleur Henderson LLP and Past President, The Empire Club of Canada.

Eileen Coulton, The Empire Club of Canada "Community Service Award' Recipient for 2002–2003 and Co-Founder, "Inasmuch" and David A. Edmison, President, Martin Lucas & Seagram Independent Investment Council, Past Chair, Bloorview MacMillan Childrens' Hospital Foundation, Chair, The Empire Club Foundation and Past President, The Empire Club of Canada.



January 9, 2003

Ben Cheng

Portfolio Manager, Fixed Income, CI Funds

John Kellett

Vice-President, Portfolio Manager, Canadian Equities, RBC Global Investment Management Inc.

Mark Schmeer

Vice-President and Managing Director, North American Equities, MFC Global Investment Management, Manulife Financial

2003 INVESTMENT OUTLOOK

Chairman: **Ann Curran**
President, The Empire Club of Canada

Head Table Guests

Margaret M. Samuel, CFA, Portfolio Manager, iPerformance Fund Corporation and Director, The Empire Club of Canada; Denton Creighton, Director, Institutional Equities, Octagon Capital Corporation; Grant Kerr, Associate Minister, St. Paul's United Church, Brampton; Mark A. Kennedy, Senior Managing Director, Institutional Equities, Raymond James Ltd.; William F. White, President, IBK Capital Corp.; Joseph J. Oliver, President and CEO, Investment Dealers Association of Canada; Gerald C. Throop, Executive Vice-President and Managing Director, Equity Markets Group, Merrill Lynch Canada Inc.; Blake C. Goldring, CFA, President and CEO, AGF Management Limited and Director, The Empire Club of Canada; Randee Pavalow, Director, Capital Markets, Ontario Securities Commission; Chuck Powis, CFA, Managing Director, Institutional Bond Sales, RBC Capital Markets; Kevin D. Williams, Vice-President and Director, TD Newcrest; Rozanne E. Reszel, CFA, President and CEO, Canadian Investor Protection Fund; and David Fleck, Executive Managing Director, Institutional Equity Sales and Trading, BMO Nesbitt Burns Inc.

Introduction by Ann Curran

For the last eight years the Empire Club has hosted an Investment Forum. The wonderful aspect of being the oldest club of record is that you can actually go back through our yearbooks or more conveniently our Web site to see how accurately our financial experts were able to predict the market!

Not to make our speakers today nervous but unlike the comments and reports that appear in newspapers and magazines and vanish when the next edition comes along, we last and last. In fact, through us you can find out what happened before, during and after the stock market crash of 1929 or you could just as easily recall what companies were herald as being the next dotcom breakthrough of the '90s.

However, predicting the future is one of the riskiest ventures known to man. It can bring great rewards or great sorrow. Before I introduce our speakers today let me just remind you of one thing, advice is wonderful but as time and circumstances unfold, your decisions are ultimately up to you.

Our first speaker today is Benedict Cheng, Vice-President, Portfolio Management at the Signature Funds Group of CI Funds, who will discuss Fixed Income (Domestic and International).

Ben Cheng has more than 12 years of investment industry experience. He focuses on fixed-income securities with an emphasis on the analysis of corporate bonds and preferred equities.

Mr. Cheng managed fixed-income portfolios for BPI Mutual Funds before he joined CI in 1999 with the merger of the two companies. Prior to joining BPI in 1997, he held positions at Sceptre Investment Counsel Ltd. and Perpetuity Asset Management Inc.

Mr. Cheng has a Bachelor of Commerce degree from the University of Toronto and the Chartered Financial Analyst designation.

Our second speaker today is John Kellett, Vice-President, Portfolio Manager, Canadian Equities, RBC Global Investment Management Inc.

John has been in the investment industry since 1968 and with RBC Global Investment Management and its predecessor companies since 1978.

John specializes in the financial services industry and is a member of the Canadian Equity and Stock Selection Committee as well as the Investment Policy Committee. By augmenting the traditional dividend fund investment approach with aggressive secondary strategies, John has consistently delivered first and second quartile performances.

He graduated from McGill University with a Bachelor of Commerce degree and is a Chartered Financial Analyst.

Our third speaker today is Mark Schmeer,Vice-President and Managing Director, North American Equities, MFC Global Investment Management and Manulife Financial, who will discuss U.S. Equities.

Mark Schmeer joined MFC Global Investment Management in 1995. As Vice-President and Managing Director, North American Equities, he is responsible for MFC Global Investment's U.S. and Canadian equity desks, indexed portfolios and asset allocation products, with overall responsibility for over C$7.5 billion in assets. He is also the lead portfolio manager of MFC Global Investment Management's U.S. large cap funds. Mark has worked in the investment industry for over 23 years. Prior to joining MFC Global Investment Management, he was Vice-President, U.S. Equities at Sun Life Investment Management. Mark has a Chartered Financial Analyst designation and graduated from Boston College with an MA in Economics.

Ben Cheng

I was invited last month to speak today about the economy, interest rates and where we see income markets going in 2003.

I manage portfolios that invest in high-yield corporate bonds, income trusts, and REITs and make decisions on how to shape portfolios. Our interest-rate forecast plays a crucial part of how we manage the funds and how we manage expectations for the funds. When interest rates are heading lower or are expected to stay at a low level, interest-rate-sensitive securities should be outperforming. Indeed, over the last three years we have had double-digit gains in the income-trust market annually. However, when interest rates are headed higher, we have to concentrate on capital preservation. I believe that is the market we have to look forward to in 2003.

On the surface it would seem fairly easy to conclude that interest rates are headed higher from here. The Fed. Funds Futures Index is telling us we should expect around 50–75 basis points of tightening by the Fed. in 2003. We believe that both long- and short-term interest rates are headed higher, but any increase in rates is probably going to be more mild than the market expects.

Yields on T-Bills and 10-year bonds in Canada and the U.S. are at the lowest levels we have seen in 40 years. And, equity markets have tumbled for the last three years in a row—an event we have not seen for about 30 years. However, deflation in the American economy seems to be the hot topic of the moment. By some measures, deflation is a reality in the U.S. economy today. Consumer retail goods are currently deflating at a rate of 1.5 per cent per year in the United States. This measure obviously excludes important factors such as housing costs, energy and medical care. But, it is a disturbing measure nonetheless, because it points to a continuing lack of pricing power by retailers and manufacturers.

In the last 12 months, Alan Greenspan and other members of the Federal Reserve have spoken about the risks of deflation in the U.S. economy. However, Mr. Greenspan has also been quick to point out that the risks of deflation taking hold in the U.S. economy are remote. It is noteworthy that in June of 2002, the Fed. released a discussion paper on the lessons learned from the effects of deflation in Japan in the latter half of the 1990s. With the benefit of hindsight, one of the main conclusions from this paper was that as inflation and interest rates approach zero and the risk of deflation is high, the monetary and fiscal authorities must go beyond what most conventional models would suggest in order to "reflate" the economy. This may be a subtle hint that the Fed. is willing to hold short interest rates at low levels for longer than the market expects. In fact, we believe that the Fed. and central banks around the world are more than willing to run the risk of reflating the economy at this point in the cycle. Central banks are fully equipped to deal with inflation. Money supply can be tightened and interest rates can increase to "wring out" inflationary pressures. But, as we have seen in Japan through the nineties, once inflation approaches zero and goes negative, the effectiveness of further interest-rate cuts becomes very much like pushing on a string.

Indeed, the $670-billion fiscal stimulus package brought forward by the White House two days ago signals to the markets that the President and the Republicans are also aware of the extraordinary means that will be necessary to bring the economy out of its doldrums.

Currently, corporate America is going through a "healing" phase that will certainly take longer than 12 months. Overcapacity in many industries has forced severe cutbacks in capital spending. Companies are restructuring with a focus on reducing costs, paying down debt, reducing excess capacity and increasing dividends. In such an environment it may be years before we see a significant rebound in capital spending.

On the consumer side, it looks like the U.S. consumer is looking very tired. Consumers are facing onerous levels of debt on their balance sheet. Even though interest rates are at historically low levels there is little doubt that consumers in the U.S. and Canada are retrenching. In 2002, we have seen the consumer savings level rise to about 4 per cent in the U.S. Yesterday the Federal Reserve announced the first decline in consumer borrowing in five years. With consumer confidence expected to remain weak, we would expect to see the consumer continue to pay down debt from here. While increased consumer savings is good for the long-run health of the economy it will probably not help economic growth in the short run.

Consumer spending would increase if we were expecting significant job growth from here. However, U.S. job growth has been negative over the last 24 months, where more than two million people have lost their jobs. We expect that, with capital spending continuing to be anemic, job growth should be fairly flat in 2003. That being said, any rebound we see in consumer spending over the next 12 months will likely to be tepid, at best.

With the economic recovery looking very moderate for 2003, we have to conclude that interest rates are probably not headed much higher in the next 12 months. U.S. short-term interest rates are probably going to be flat and longer-term bonds (10-year) are probably going to rise by about 50 basis points (bps) in anticipation of further economic recovery in 2004. In Canada, we expect that interest-rate changes will be very similar to what we expect in the U.S. Canada will probably have the best economic performance of all the G7 nations. However, our economy will probably experience marginally better economic performance than the U.S. Canada now does about 80 per cent of trade with the U.S. and about 40 per cent of our overall economy is based upon trade. Thus, we do not expect the Canadian economy to significantly outperform the U.S. economy for an extended period of time. For 2003, economic growth in the U.S. should be about 2 to 2.5 per cent and Canada's GDP growth should be about a half a per cent better.

So what are we doing with our accounts, you might ask. Within our bond accounts that are measured against the Scotia Capital Bond Universe we have shortened duration and have an overweight position in corporates. Corporate spreads should continue to tighten in 2003 as profitability improves.

We have reduced our exposure to real estate (i.e. REITs) throughout 2002 and will continue to have an underweight position throughout 2003. The good fundamentals through the latter half of the 1990s no longer exist. Vacancy rates for office space in Canada have increased to 11 per cent. In the United States the problem is worse with vacancy levels now more than 15 per cent. These are levels that we have not seen in almost 10 years. According to ReisAmerica net absorption of office space has been negative for an unprecedented seven straight quarters. Also, as interest rates are expected to rise, real-estate owners no longer see the benefits of declining interest-rate costs. We expect that it may take 18–24 months before we see a solid turnaround in real-estate fundamentals.

We are currently at a slight overweight position in income trusts. As mentioned earlier, income trusts have been the hot market for the last three years and it is now a topic of much debate. However I do believe that we will have decent returns from this sector in 2003. The trust market has changed substantially in the last six years and it is no longer a market of just oil and gas producers. With more diversity in a market with a capitalization of about $50 billion it is possible to buy trusts that will be able to grow their distributable cash flow as the economy improves. This is where we are concentrating the portfolios, as obviously these trusts will have less interest-rate sensitivity. There is still a very real risk of IPOs and secondary issuance flooding the market. We had well in excess of $5 billion in new issuance for 2002 and I expect a number similar to that in 2003.

And finally, in corporate bond land, we are also slightly overweight and will be adding to this sector over the course of the year. High-yield bonds in Canada and the U.S. have been a tough place to invest over the last three years, as nominal performance has been negative. Yield spreads over government bonds have expanded to historic levels on the back of massive corporate defaults. However, we believe that default rates have probably peaked in 2002 and even in an environment of dampened economic growth, some corporations will be able to pay down debt and improve their balance sheets. This is obviously good news for corporate bondholders and we expect this asset class to be one of the top performers in income markets for 2003.

Thank you.

John Kellett

Good afternoon, members of the Empire Club, ladies and gentlemen:

I was so honoured to be asked to speak to this prestigious club that I accepted the invitation against my better instincts and long-standing practice. After all, I have survived 35 years in the investment business by generally avoiding career-damaging pitfalls such as publicly forecasting the outlook for the stock market. I adopted this practice because of hard experience. Many in this audience are familiar with the annual forecast dinner sponsored by the Toronto Society of Financial Analysts. For those of you who are not, the society invites three or four speakers every year, distinguished more by a need for publicity than by good sense, to forecast various outcomes for the capital markets, with the fiendish twist that those same speakers have to return the following year to justify what they have said.

It was my misfortune to be selected to speak in September 1981 on the outlook for stock markets just as my bullish forecast ran into the teeth of a major bear market. Because I am very interested in politics my theme was that Ronald Reagan and Margaret Thatcher—who were both quite unpopular at that time, early in their mandates—would prove very favourable for global stock markets. By the following summer, my forecast for the

TSE 300 was so far off target (on the downside) that at lunch time I would walk considerably out of my way to avoid seeing the market indicator on a sign outside the National Trust building on King St., because I didn't want to ruin my appetite. That year the return dinner happened to be unusually late in September and in August the market started a rally that was as unexpected as it was relentless (or as Time magazine wrote in September that year: "No one predicted it. No one can explain it. No one dreamed that it could keep going day after day").

In the end my forecasts on the U.S. and British markets were right almost to the day, but I missed the Canadian market (my supposed area of expertise) by several months, because politically our government had gone in the opposite direction by introducing the National Energy Program. Having had my summer entirely ruined I decided I would avoid forecasting wherever possible and it has taken 20 years for me to break that rule.

I also note that in the notice for this meeting my fellow forecasters and I are described as "industry experts." Without impugning their talents, this sort of description can be the kiss of death.

Have you ever noticed that bearish market letter writers (such as John Crudele and Richard Russell) love to mock their more bullish brethren as "so-called experts" (so called by whom they do not say, but it is a useful straw man on whom to pour scorn). So seeing that adjective in print attached to my name has caused me some anxiety.

Having confessed to an unnatural interest in politics I will set the stage for my forecast for equity markets in 2003 by noting some favourable political developments. The first is that the Republicans have controlled the White House and both Houses of Congress in only two of the 58 years since World War Two, prior to this year. The average annual return in those two years on the S&P 500 was 14 per cent, even though real GDP growth was only

1.5 per cent, substantially less than the 3.4-per-cent average since the war. This was because inflation was well contained and because markets view that party as more friendly to them. Already we are seeing suggestions from Capitol Hill that double taxation of dividends be eliminated and this would, if enacted, be very positive for stocks in an era when dividends are viewed with increasing favour by investors.

The second is that the market has advanced in the third year of every presidential term since 1939, or 16 successive occasions, as the incumbent looks to strengthen his party's reelection prospects.

I would say that the outlook for the stock market is no murkier today than usual, which is to say it is, as always, highly unpredictable. Optimists can find many economic statistics to their liking including the biggest increase in productivity since 1966, (5.6 per cent year over year in Q3 in the U.S.). Consumer spending has held up remarkably well due to lower taxes and interest rates, and higher house prices, and both the manufacturing and non-manufacturing ISM indices jumped in December to 54.7, well into territory that indicates a growing economy. Perhaps the best news, however, has been the remarkable performance of the Canadian economy, both in absolute terms and relative to its peers.

In every single month the consensus of economists was too low (no wonder they call it the dismal science). We have had the largest year-over-year increase in new home prices in 12 years and the forecast growth in our GDP of 3.2 per cent in 2003 is expected to be bettered by only Australia in the Economist Magazine poll.

However, this poll ignores, as do many prognosticators, the excellent economic performance by several countries whose contribution to global growth has hitherto been small, but is growing rapidly, and I would include in this category China, India and Russia.

If global growth is more robust than people expect, it is nevertheless still held hostage to the performance of the U.S. economy. Although, as mentioned earlier, there are encouraging signs nevertheless there are also plenty of reasons for caution. Corporations remain caught in an exceptionally severe profit contraction, with S&P operating profits down 42 per cent from their peak in 2000 and with almost no pricing power to enhance the revenue line. They are therefore obliged to keep cutting costs, hardly a route to prosperity and self-defeating if it has an adverse effect on employment and consumer confidence.

Also, margins are under great pressure as the differential between the change in cost of materials and retail sales inflation is now the largest since 1980.

Currently the market is torn between a fear of deflation and the prospect of reinflation. Clearly the Federal Reserve Board is far more afraid of the former and has done everything possible to reignite the economy, including dropping interest-rate levels to the lowest in my career and providing a steady diet of liquidity. Thus the money supply measure the Fed. considers the most conducive to economic change, MZM, was up 11.8 per cent year over year in the third quarter.

Interestingly, during the recent market rally, stocks have done best when economic statistics indicated a lesser likelihood of further Fed. ease, so the stock market seems to be hoping for somewhat higher interest rates. In each of the last three calendar years investors in bonds have enjoyed higher returns than equity investors, both an unusual occurrence (it last happened during the early years of the Depression, from 1929 to 1931) and unsustainable in a successful capitalist system. In the competition for scarce investment resources, perhaps it is time for a shift from fixed income into equities.

There are other worries to contend with. The recent decline in the U.S. dollar could cause all sorts of problems for an economy and financial markets dependent on a large daily cash infusion just to offset trade outflows.

A competitive devaluation is every central banker's worst nightmare but the relative lack of attractiveness of the yen, euro and U.S. dollar has been a boon for gold prices. The threat of war, whether in Iraq or Korea, is unquantifiable but highly unsettling to markets, as is the possibility of further terrorist attacks. Finally, U.S. insider selling jumped 125 per cent from October to November, with nearly $14 sold for every $1 bought. This does not indicate overwhelming confidence on the part of America's corporate titans, the misdemeanours of some of whom in recent years have done much to contribute to the current market malaise and loss of confidence.

All of which is a lengthy preamble to my forecast for North American equities. My normal bullishness is tempered by the realization that most strategists are also bullish, at least in part because after three consecutive down years, a fourth is historically unlikely. That has happened only once in the past century, from 1929 to 1932, but it is surely an ill omen that this past December's weak showing by the U.S. stock market was the worst since the December of the penultimate year of that period (1931).

Notwithstanding all these causes for concern, I do believe the market will rally in 2003, generating moderately good returns, perhaps of the order of 10 per cent to 12 per cent, but with more volatility than most investors care to see. Canada's market, unlike my previous forecasting episode, should perform relatively well, dependent as it is on commodities and a heavily weighted financial-services sector that has generally weathered the credit crisis better than its international counterparts. We are currently experiencing the most powerful commodity move in 22 years with 96 per cent of commodity prices rising. With gold, energy, and other commodities leading the way, this should attract global attention to our market.

It is also important to remember that market indices can be a misleading indicator of a market's health.

For instance, the dividend fund I run has returned positive 2.0 per cent annually over the past two years, compared to the -12.5 per cent annual return generated by the TSE 300 index over the same period so selection can mitigate the damage done by the overall market, and as well as the above-mentioned sectors, investors should concentrate on those companies with a record of increasing dividends and the ability to increase them in the future.

In conclusion, please remember two or three pithy comments from previous so-called industry experts. "In investing the return you want should depend on whether you want to eat well or sleep well" and Will Roger's well known dictum: "Don't gamble! Take all savings and buy some good stock and hold it till it goes up, then sell it. If it don't go up, don't buy it." And just last month Morgan Stanley's well known strategist Barton Biggs advised: "Be open-minded. Anything can happen."

Thank you very much for both listening to me, and not obliging me to come back next year and justify this foolishness.

Mark Schmeer

My name is Mark Schmeer and I'm Managing Director of North American Equities for MFC Global Investment Management, the investment management arm of Manulife Financial. At MFC Global we have over 90 investment professionals in markets around the world doing fundamental and quantitative investment research. I'm going to summarize our thoughts on the outlook for the U.S. economy and stock market for 2003.

We think economic growth will be reasonably good this year, at least 2 1/2 cent, but more likely in excess of 3 per cent. This forecast is somewhat more optimistic than consensus, which is looking for growth closer to 2 per cent this year. We have several reasons for our more optimistic viewpoint.

First, we expect consumer spending to remain healthy. Real disposable income was up 6 per cent in the year ending November; both the Conference Board's and the University of Michigan's confidence indicators appear to have bottomed; payroll employment turned positive in May; and it appears we are poised for yet another mortgage-refinancing boom.

Second, it appears capital spending is turning. Business spending increased by 0.6 per cent in Q3, the first increase in two years. IT spending as a per cent of depreciation bottomed in Q1 and has moved higher since. In a recent survey 44 per cent of CIOs expect to spend more on PCs in 2003 than in 2002. Finally, capital spending is closely tied to earnings and earnings have turned up. S&P 500 operating earnings were up 5 per cent in Q2, 15 per cent in Q3, and we think Q4 will be even better, and earnings will improve an additional 9 per cent in 2003 as profit margins improve due to productivity enhancements. As earnings increase, capital spending will increase.

Lastly, the Bush administration's economic stimulus plan will likely add something close to $100 billion in tax cuts and additional spending in its first year. The stimulus plan that has been proposed includes eliminating the double taxation of dividends on stocks. In fact this is the biggest part of the plan, accounting for more than half its estimated cost.

The plan is complicated and also includes a proposal to eliminate taxation of stock price increases resulting from an increase in retained earnings. Essentially, both dividend-paying stocks and non-dividend-paying growth stocks would benefit from these proposals. If passed, the plan would increase the relative attractiveness of stocks versus bonds and REITs. Also, the plan would increase the relative attractiveness of high-dividend-yielding stocks and growth stocks versus value stocks. The plan that eventually gets passed will no doubt look different from the initial draft, but it seems certain that a meaningful stimulus plan will get passed in time to stimulate growth this year and stocks will benefit.

So we're concluding growth in the U.S. this year will be around 3 per cent, and historically when growth has been around this level the stock market has returned 15 per cent on average and has provided a positive return 85 per cent of the time.

There are clearly a number of risks, including war with Iraq, terrorism, the risk of deflation, accounting fraud, underfunded pensions, and higher oil prices. Some of these issues are easily addressed; for example, the issue of accounting fraud. There have been no significant new accounting fraud stories in months. The SEC reviewed the latest reports of every one of the largest U.S. companies last year so we believe this issue has been laid to rest.

Pensions are underfunded for the first time since 1993. Prior to 1993, pensions were last underfunded in 1982. Both times were great buying opportunities for stocks. The point is that underfunded pensions are a sign of the end of the bear market, not the start of one.

Oil: In recent days Venezuela has stated that they have been able to increase oil production from almost zero to 600K bpd; OPEC has said they are prepared to increase production by 2M bpd; and the U.S., UK and Japan, among others, have increased their strategic reserves by two to three million bpd over the past three months. We believe the world is well prepared for a possible disruption from Iraq. In fact we think the greater likelihood is for a sharp decline in the price of oil this year.

Deflation: Services represent 2/3 of the American economy and we are not likely to see deflation there. How many expect to pay less for health care, a ticket to a baseball game or a movie? There is no global competition for services; you can't go to China for a haircut; without deflation in services, we don't think you can have deflation overall.

War: The stock market record during wars is mixed, ranging from 0.6 per cent annualized during the Vietnam War to 16 per cent annualized during WW II. But the most comparable is likely to be the Gulf War during which the market returned 10 per cent annualized.

Terrorism: We find this to be the toughest issue to lay to rest. Probably the best we can say is capitalism and democracy will survive, although that may seem small consolation on a day like 9/11.

A couple more stats you may find of interest:

In the past 40 years, when the market was down at least 30 per cent from its three-year high, as it is now, the market returned an average of 31 per cent in the following year.

Currently bond sentiment is very bullish while stock sentiment is neutral. In the past when we have had a similar disparity, stocks returned 19 per cent on average in the next year.

Interest rates have declined sharply in the past year. In the past, when 10-year interest rates fell as they have in the past year, the average return from stocks in the following year was 18 per cent.

And last but not least, a comment on valuation. The current P/E ratio for the S&P 500 is not cheap. But when you compare it to interest rates the market's valuation is nearly as cheap as it has been at any time in the past 30 years. We conclude that stocks are a pretty good buy at this time. We expect a double-digit return this year and we think if we are surprised, it is more likely to be a positive surprise.

Thank you

The appreciation of the meeting was expressed by Blake C. Goldring CFA, President and CEO, AGF Management Limited and Director, The Empire Club of Canada.

January 16, 2003

Jim E. Carter

Chairman of the Board, Mining Association of Canada
and President and COO, Syncrude Canada Ltd.

CANADA'S MINING INDUSTRY: INVESTING IN NEW ATTITUDES

Chairman: **Ann Curran**
President, The Empire Club of Canada

Head Table Guests

Verity Craig, Associate, Carmichael Birrell & Co. and Director, The Empire Club of Canada; Aneta Niewiadomska, Student, Lassonde Mineral Engineering Program, University of Toronto; The Reverend Bill Middleton, Armour Heights Presbyterian Church; Scott Hand, CEO and Deputy Chair, Inco Limited; Derek Pannell, President and CEO, Noranda Inc.; Gordon Peeling, President and CEO, Mining Association of Canada; Fiona Blondin, Director of Public Relations, O.I. Employee Leasing and Director, The Empire Club of Canada; Richard Ross, President and CEO, Inmet Mining Corporation; Matthew Coon Come, Grand Chief, Assembly of First Nations; and Charles S. Coffey, Executive Vice-President, Government and Community Affairs, RBC Financial Group and Director, The Empire Club of Canada.

Introduction by Ann Curran

The Canadian mining and metal industry is an important contributor to our country's social and economic prosperity. It is one of the few sectors in the economy where Canadian companies have a significant presence internationally, a position established through growth, innovation, ingenuity and highly skilled workers.

A major consumer of high-tech products, the mineral industry counts among the most productive and innovative sectors of the Canadian economy.

It directly employs 375,000 men and women—in urban, rural, remote, northern and Aboriginal communities.

It counts among the most productive and innovative sectors of the domestic economy and the industry's knowledge, expertise and products are sold around the world.

Jim Carter, President and Chief Operating Officer of Syncrude Canada Ltd. and Chair of the Mining Association of Canada, will highlight critical policy challenges and discuss what industry and governments need to do to ensure the future of this important Canadian industry.

For the few in this room who may not know Jim Carter, it is my pleasure to give you some insight into the depth of this man's knowledge and experience in this industry.

On June 18, 2002 the Mining Association of Canada announced the election of Jim Carter as Chair of the Association. He was appointed President and Chief Operating Officer of Syncrude Canada on October 1, 1997. Mr. Carter began his career at Syncrude over 20 years ago in 1979 as Manager of Overburden Operations, where he introduced the Syncrude-owned truck-and-shovel overburden removal fleet.

He worked his way up the company through several positions, the more recent being Chief Operating Officer and Vice-President of Operations.

Since joining Syncrude, Mr. Carter has played a prominent role in a variety of initiatives aimed at enhancing safety, reliability, production, unit costs and product quality. He has also implemented innovative continued-learning initiatives within the company.

Prior to Syncrude, Mr. Carter worked for McIntyre Mines Ltd. from 1974 to 1977. From 1973 to 1974, Mr. Carter worked as Mine Foreman for the Iron Ore Company of Canada.

Mr. Carter earned a Bachelor of Engineering Degree in Mining Engineering in 1973 from the Technical University of Nova Scotia, and is a graduate of the Advanced Management Program at Harvard Graduate School of Business Administration.

In 1995, Mr. Carter received an honorary Doctorate of Engineering from the Technical University of Nova Scotia for his leadership within the oil-sands industry and the engineering profession.

In 1999, he was presented with the Centennial Award, the highest honour bestowed by the Association of Professional Engineers, Geologists and Geophysicists of Alberta.

He is also a recipient of the Canadian Institute of Mining, Metallurgy and Petroleum (CIM) Past President's Award and the CIM Fellowship Award.

Mr. Carter has been an active supporter and advocate of the CIM and was a founding member of the Rocky Mountain Branch (Chairman, 1978–79). He has been a frequent speaker at CIM branches as well as regional and national conferences.

His other professional and community affiliations include: Director and Member of the Executive Committee, Alberta Chamber of Resources; Founding Chairman of the Industry Advisory Committee, University of Alberta School of Mining and Petroleum Engineering; Member of the Faculty of Engineering Advisory Board, Technical University of Nova Scotia; Member, Association of Professional Engineers, Geologists and Geophysicists of Alberta; Board of Directors, Northern Lights Regional Hospital Foundation; Board of Directors, Vista-Ridge Ski Hill Association; Past Member, Board of Governors, Keyano College.

I now give you Mr. Jim Carter.

Jim Carter

Good afternoon everyone and thank you for coming out to hear this update on Canada's mining sector, especially as it pertains to our attractiveness as a place to invest.

As an investor myself, I look at much more than past performance when choosing where to park my money. In fact, as a business leader, I've learned to also pay attention to things like corporate attitudes. And a positive attitude about the future, combined with a good business plan that's in lock-step with stakeholder expectations, is something I find attractive.

As it happens, both the performance and the attitude of the Canadian mining industry have changed for the better in recent years. We now have the track record and the prospects to inspire confidence among global investors.

Our industry is resource-rich, highly successful and well respected. Yet, as far as we've come, we have still only scratched the surface of our extraordinary natural resource base, while global demand for those minerals and metals continues to climb.

Here in Canada, we're a leading economic entity: we already account for one direct job in 40 in this country and our annual exports are worth $50 billion. Every billion in mining output increases direct demand for goods and services by some $655 million. Beyond this, we invest heavily in leading-edge research and technology, voluntarily adopt best-environmental practices as quickly as we can and, increasingly, we embrace socially responsible attitudes towards the communities where we work. In short, we have a lot going for us.

Still, Canada has not done enough to assure investors that the Canadian resource base offers high potential returns with comparatively low risk. Other parts of the world have been quicker to recognize and respond to the needs of those with capital to invest.

As a result, countries with significant mining potential, low production costs and highly competitive fiscal and regulatory policies continue to attract capital away from Canada's mining sector.

As we all know, investment dollars have no national loyalties. So, we must reposition ourselves and our inherent attractiveness in the eyes of the capital markets.

Today, I hope to boost the confidence of investors by describing a few of our industry's most recent accomplishments. Some of these deal with leading-edge technology, others with enhanced environmental protection, and still others with progressive management.

I also want to talk about the closer working relationship that our industry continues to build with communities and governments. Our collective investment in new approaches and attitudes is going a long way toward enhancing the global competitiveness of our industry. It's a move that will benefit all Canadians.

The Importance of Innovation

If I had to pick just one word to describe the Canadian mining industry in recent years, it would "innovative." We have either pioneered better ways of doing things or adopted, adapted and redeployed the innovations of others. Innovation now defines our industry. In fact, the mining industry spends some $370 million on R&D each year.

Let's look at what these investments are doing in the technology area.

Statistics Canada recently ranked the metal-mining sector as number one in the use of machinery to improve industrial processes. This standing begs me to review why mining firms consider this type of investment to be strategic. Sixty-eight per cent did it to increase their productive capacity, 60 per cent wanted to reduce labour costs, 52 per cent saw it as a key to more flexible production and 51 per cent sought a reduction in energy consumption.

Together, these findings provide a snapshot of attitudes within today's industry. For example, our strong desire to improve productivity strengthens our competitiveness in global markets, enhances workplace health and safety, and reduces our environmental footprint.

Largely because our industry has embraced technological advances quickly and effectively, our total factor productivity rose by an annual average of 3.1 per cent from 1984 to 1998, the most recent period for which we have numbers. That is three times Canada's overall productivity rate and almost twice the 1.7-per-cent annual growth recorded by the manufacturing sector in the same period.

Technological innovation brings other important benefits as well. Let me personalize this a bit by referring to the research being done by Syncrude on the fine tailings from oil-sands extraction. Fine tailings are difficult to manage because they take a long time to settle in a storage pond.

In response, Syncrude has developed prototype "water capping ponds" in which fresh water is layered over a deposit of fine tailings to form a lake. In as few as two to three years after deposition is complete, the lake evolves into a healthy, natural ecosystem.

Another project is testing the ecological advantages of composite tails. This involves mixing fine tailings with gypsum and sand to encourage quick settling and it allows us to create diverse, self-sustaining landscapes that can support grass, trees and wetlands.

These projects demonstrate how Syncrude is well on its way toward resolving a difficult environmental challenge and satisfying the expectations of neighbours who want sensitive and productive landscape reclamation.

In recent years, other important innovations have also occurred. Our industry was among the first to fully appreciate the significance of knowledge workers in improving our productivity, our reputation and our bottom line. In fact, according to a government study, mining ranked an impressive third in the share of total employees in knowledge and management occupations, after government and the financial sector.

The scientific, technical and communications skills of our employees have enabled us to identify and develop new deposits around the world, improve productivity, exchange information more readily, form advantageous strategic alliances and be more competitive.

One of the most important contributions of our knowledge workers has been to enhance "economies of scope"—cost savings achieved through nearly instantaneous, distributed networks of information. Some examples of this include the savings that arise from the new ability of a company to disseminate the very best technological and environmental solutions across all of its global operations, savings from highly co-ordinated marketing processes and shipping services and savings from the use of standardized equipment obtained through centralized procurement channels.

Our industry is much better off, much more competitive, for that type of internal investment.

Consider also, the innovation in our executive suites.

Innovative management is about much more than drawing new org charts. It is about embracing new attitudes that ripple through an organization, energize it and set it on a new, more productive path.

One topical example is the zeal with which the mining industry embraced the Voluntary Challenge and Registry program to reduce greenhouse gas (GHG) emissions.

Between 1990 and 2000, the metal-mining industry improved the efficiency of its operations so much that it reduced its GHG emissions by 19.2 per cent. This far surpassed the Kyoto target. Overall GHG intensity improved 18.5 per cent in the same period. Within the non-ferrous metal smelting and refining sector, energy intensity improved 16.5 per cent even though energy consumption rose with expanded output.

Members of MAC have pledged to reduce energy consumption per unit of output 1 per cent each year between 1995 and 2005. Based on our performance to date, energy intensity in metal mining is actually forecast to improve by 1.5 per cent annually. By 2005, energy intensity should be 14.5-per-cent better than in 1995 and GHG intensity is forecast to be 15.2-per-cent better.

For us, energy management has gone far beyond individual programs for reducing emissions. In fact, MAC was the first mining association in the world to develop an Environmental Policy to guide the behaviour and performance of our members. We also engage in a wide range of multi-stakeholder research initiatives on such key issues such as tailings management. By pooling resources and expertise, by sharing best practices and by facilitating the transfer of technologies, we move the needle more quickly.

To me, these things indicate the very positive changes that come from people thinking and acting differently.

Another example lies in the new attitude the mining industry has towards those affected by our operations.

Recently, MAC launched an initiative called Towards Sustainable Mining. It is aligning the performance of our industry with the values and priorities of interested communities through greater dialogue. By talking with everyone who has a legitimate interest in our activities, we identify areas for improvement, explore workable, mutually satisfactory solutions, and earn the positive reputation from society that we need to operate successfully over the long term.

Skeptics may scoff at this as window-dressing as yet another well-meaning but essentially empty public relations exercise. We know better. In fact, our initiative is the industry's formalization of honest consultation practices that many individual companies have used effectively for years.

Let me give you another personal example. Syncrude has worked hard to strengthen its relationship with the Aboriginal communities around Fort McMurray right from the beginning. Our company is now the nation's largest industrial employer of Aboriginal people, but our commitment goes far beyond their salaried involvement in our projects.

In fact, as early as 1974, we instituted formal Aboriginal development, training and counseling programs so they could participate in our work force, reduce the cultural shock created by the region's first mega-project, and build their skills and capacity to become suppliers of goods and services.

At the same time, we immersed our non-Aboriginal employees in training courses that increased their cultural sensitivity and appreciation. A generation later, we no longer need a formal department to deal with Aboriginal issues.

Today, working with Aboriginal people is a normal and sensible way of doing business in the Fort McMurray area. And if you look at the approaches taken by the different oil-sands developers that followed us, you'll find they stick pretty closely to Syncrude's basic template. To their credit, they have at times gone beyond our model and this is another excellent example of the value that comes from sharing best practices.

Today there is a formal, long-term capacity building agreement in place between nine resource developers and the Athabasca Tribal Council, and an enhanced agreement was signed just last week. In short, all parties have made genuine economic and social gains because of oil-sands development over the years.

And oil sands is only one example in the mining sector. BHP Billiton and Diavik in the Northwest Territories, Barrick in northern B.C. and Noranda/Falconbridge at their Raglan operation have all developed innovative partnerships with their local Aboriginal communities. At Voisey's Bay, Inco is offering new hope to the Innu and Inuit.

Government as a Partner in Innovation

To this point, I have talked about two kinds of investment: how our industry has increased our productivity by investing in technology and people; and how we are working to secure public permission to operate by investing in more open communication and in social interests and concerns. Both of these make the mining industry more competitive in attracting outside investment.

Now let me turn to a third kind: investing in government policies that foster a strong, globally competitive mining sector.

I mentioned at the outset that some foreign jurisdictions are enabling their mining industries by streamlining the regulatory process. Canada needs to do the same and we have already taken steps down that road. For example, proposed amendments to the Canadian Environmental Assessment Act, currently before Parliament, promise to make federal assessment of proposed mining projects more efficient, more effective and less costly. That's good news. But we must also admit that this journey has only just begun. Before we reach our destination, it will take us through just about every provincial and territorial jurisdiction.

One example that underscores the need for regulatory reform lies in the widely recognized fact that metal recycling has the potential to deliver very substantial environmental, social and economic benefits. It conserves natural resources, takes the pressure off overcrowded landfills, and lessens the land, air and water impacts that accompany primary extraction. Recycling is also an excellent way of reducing GHG emissions. As a bonus, the process would also enable Canadian producers to meet the increasing market demand for recycled content in manufactured goods.

Yet our industry cannot fully seize this competitive advantage because current federal regulations constrain the shipment of metal-bearing recyclable materials much as they control the movement of hazardous wastes destined for landfill. As a result, industrial processors cannot secure recyclable materials from their point of use in volumes sufficient to support economic recovery at distant smelters. Environmentally minded countries such as Sweden and Belgium have shown that such materials can be managed safely for recovery. Canada must do the same.

I want to reassure those who might interpret such remarks as a call for deregulation that it is not. But it is a plea for smarter regulation of our industry and MAC has been a champion of this for a long time.

Regulation is needed to set minimum standards for all industry players. It plays an important role in protecting our environment and the health and safety of those who work for and with us. Regulation can also be instrumental in pushing industry to do things more efficiently. And, as the last federal Throne Speech noted, regulation can do much to enhance the climate for investment.

We need regulation, but it must be sensible. So we applaud the efforts of the federal government to streamline its regulatory processes through the Smart Regulation initiative.

I could say similar things about fiscal policy and, in particular, the existing taxation regime. To compete successfully on a global scale, to boost our national trade surplus and to encourage additional investment in our sector, Canada needs to provide an attractive tax environment.

Many provinces and territories have already adjusted corporate tax rates downward, sometimes with specific reductions for the mining industry. Yet, we continue to request that our federal partners include our sector in the 7-per-cent corporate income tax rate reduction that was announced in the 2000 federal budget. This is not simply in the interest of equity, it is a matter of competitiveness.

According to a recent study by the C.D. Howe Institute, mining's effective tax-rate net of subsidies is higher than most Canadian sectors including services, public utilities, forestry and construction. In fact, with our effective tax rate at well over 40 per cent, we have the largest tax differential between Canada and the U.S. of any economic sector. In my mind, that's not something to be proud of.

Canada's effective tax rate for our industry places us in the upper quartile of all mineral-producing nations. If we add to this our concern about the government's continuing reliance on taxes that are not based on profit, such as the dreaded Large Corporation Tax (which is a tax on capital) and taxes that penalize those who commercialize their innovations, you can see how the mining industry is ill-served by such policies.

Simply put, we are overtaxed. This diminishes our competitiveness, our attractiveness to investors and our ability to create new jobs.

Government can and must introduce positive, forward-looking policies that encourage investment. Sometimes when we least expect it, it does just that. And I would be remiss if I did not applaud the fed's determined efforts to define a national strategy on innovation.

This policy is especially important to the mining industry, which is investing more and more in knowledge workers and their R&D efforts because the benefits of investment in innovation are tangible. And they can already be seen in such things as our productivity gains and our reduced GHG emissions.

But Canada has yet to capitalize, as it must, on Canadian companies implementing innovations in Canada. We need to talk seriously—emphatically—about how we're going to commercialize all these great ideas. The path from idea to action remains too onerous and too slow.

I would argue we need incentives that reward those with the uncommon ability to commercialize their progressive thinking. We need to spur them on and expand the role of public agencies such as the National Research Council and the CANMET Mineral Technology Branch so their scientific prowess can be translated into new products, new processes and new services.

These changes matter because a positive, forward-looking partnership between our industry and the federal government enhances the quality of life of average Canadians. To illustrate this, let me give you one final example from the oil-sands business.

Beyond the substantial investments made in the original Syncrude and Suncor plants, a further $24 billion has been invested or firmly committed to new oil-sands projects since 1996.

As you might expect, Alberta receives the lion's share of the income effect from this development, some 40 per cent. But let's look at where the other 60 per cent goes. Ontario alone receives 27 per cent. Quebec gets 19 per cent. Eight per cent ends up in the Atlantic region, and the rest is distributed across the other western provinces.

All this from one component of the mining industry, in one part of the country. And yet its positive effects ripple throughout the national economy.

The lesson is clear: invest in industrial innovation and every Canadian will benefit.

Optimizing Our Prospects

Ladies and gentlemen, I began my talk today with a few words about investor confidence. Let me conclude by stressing how the mining industry has created a profile that encourages investment and how this can be optimized with some appropriate action from our public and government partners.

Today's mining industry is not the same one your parents invested in. It has matured a great deal in recent decades, in fact, to the point where Canada is a world leader in innovation and productivity.

Our maturity is reflected in the strategic thinking that now pervades the executive suite. Our leaders understand the value of knowledge capital, the value of mutually rewarding relationships with stakeholders in the communities where we work, and the value of co-operation with our partners in government. We have successfully redefined our industry mission in terms that are socially responsible and economically attractive. And it shows in our performance.

But we can and we will do more. We will work harder to ensure that global investors have a clear and accurate image of our industry so we can get the attention and the investment we deserve.

The facts show that a stronger, more competitive mining sector will generate some very significant benefits for Canadians, and I believe that is a worthy goal indeed.

So, I thank you for listening to me today and I certainly thank you for your continued support of one of Canada's bedrock industries.

Thanks very much.

The appreciation of the meeting was expressed by Charles S. Coffey, Executive Vice-President, Government and Community Affairs, RBC Financial Group and Director, The Empire Club of Canada.

Ann Curran, Director, Corporate Development International and President, The Empire Club of Canada, Anne Fotheringham, Owner, Fotheringham Fine Art and Director, The Empire Club of Canada, Allan Fotheringham, Author and Columnist and Sally Armstrong, Author, "Veiled Threat."

January 23, 2003

Sally Armstrong

Author, "Veiled Threat"

CREATING NEW VISIONS FOR ENDING CONFLICT

Chairman: **Ann Curran**
President, The Empire Club of Canada

Head Table Guests

Rabbi Perry Cohen, Facilitator, Teacher and Author; Rachel Kennedy, Student, Parkdale Collegiate Institute; Col. Frederic L.R. Jackman, CSt.J, PhD, LLD, President, Invicta Investments Incorp. and Past President, 1993–94, The Empire Club of Canada; David Agnew, President and CEO, UNICEF Canada and Director, The Empire Club of Canada; Heather Ferguson, Director, Development and Alumni Relations, Faculty of Nursing, University of Toronto and Director, The Empire Club of Canada; Beth Hitchcock, Features Editor, Chatelaine Magazine; Dr. Carolyn Bennett, Member of Parliament, St. Paul's Riding; Agnes Di Leonardi, Vice-President, Legal and Corporate Secretary, Ford Credit Company of Canada; and Pam Jeffery, President and CEO, The Jeffery Group Limited and Founder, Women's Executive Network.

Introduction by Ann Curran

I now have the opportunity of introducing to you a fascinating woman—Sally Armstrong. She is a human rights activist, documentary filmmaker and award-winning author. Sally Armstrong was editor-in-chief of Homemaker's magazine from 1988 to 1999. She is presently the editor-at-large of Chatelaine magazine and a contributing editor at Maclean's magazine.

She has covered stories about women and girls in zones of conflict all over the world. From Bosnia and Somalia to Rwanda and Afghanistan, her eye witness reports have earned her awards including the Gold Award from the National Magazine Awards Foundation and the Author's Award from the Foundation for the Advancement of Canadian Letters. She received the Amnesty International Media Award in 2000 and again in 2002.

Sally is the co-producer and host of several documentaries including "They Fell From the Sky" that aired on CBC's "Rough Cuts" in November, 2001. A new documentary called "The Daughters of Afghanistan" will air on CBC's "The Passionate Eye" on March 2, 2003.

In 1996, Sally was honoured by the YWCA of Toronto with the prestigious Women of Distinction Award in Communications. In 1997 she received the Achievement Award for Human Rights for Women from Jewish Women International. In 1998 she was honoured with the Media Watch's Dodi Robb Award. She received an Honorary Doctor of Law degree from Royal Roads University in 2000 and an Honorary Doctor of Letters from McGill University at the October, 2002 convocation. In 1998 she was made a Member of the Order of Canada.

In 1997 Sally Armstrong, then editor-in-chief of Homemaker's magazine, wrote an article about the women of Afghanistan and their lives under the misogynist Taliban regime.

More than 9,000 letters poured in from readers demanding that something be done to get these women out of bondage.

Since then, Armstrong has stayed in touch with the women she met while researching the article, as well as the ones she met on subsequent visits to that troubled, complex country.

Recently named UNICEF's Special Representative to Afghanistan, Armstrong has an insider's view of the terror, abuse and misogyny the women and children in Afghanistan have faced for more than two decades of civil war and in particular, when the Taliban were in power.

On May 23, 2002, her book "Veiled Threat: The Hidden Power of the Women of Afghanistan" was published by Penguin Books.

Sally has kindly agreed to stay after this luncheon to sign copies of her book.

Having travelled extensively, interviewed so many people and witnessed the ravages and devastation of war, she is here to say: "It's time to dump the old formulas and create new visions for ending conflict. People are fed up, it's time for the UN to alter its course; the world cannot afford more Afghanistans."

Ladies and gentlemen please welcome Sally Armstrong.

Sally Armstrong

The first thing most people ask me when they see my book "Veiled Threat" is why did you go to Afghanistan in the first place. Well I went because I couldn't believe my ears when I heard about what was happening to the women there—that the Taliban had virtually put the women under house arrest with the most misogynist edicts the world had ever known. I wanted to know how the women were coping. And I wanted to know how the Taliban were getting away with it—right under the noses of the international community. Where the heck was the United Nations, I wondered.

The book puts those facts on the record. As much as it describes the brutal treatment of women under the Taliban, the book review in the Washington Post called it "inspiring, uplifting." The review also said, as most have, that the book is critical of the United Nations. And that is also true. As UNICEF's special representative to the region, some have asked how I could be critical of the UN. I agreed to this volunteer post because I care about those children, as UNICEF does. I'm asking for change for their sake and feel it's time we addressed the problems that are getting in the way of rescuing the world's most blameless citizens.

I didn't make the accusations lightly. My beat in the journalism world for the last two decades has been covering zones of conflict—and what happens to women and girls in those places. They are raped, beaten, tortured, starved and used as pawns of war. But nobody ever seems to be accountable. Look at what the Taliban did. Because of their hatred of women, they made crazed edicts to control them. For example, one young woman who had been married the day before the Taliban crashed into town had a manicure. When the Taliban saw her nail polish, they threw her to the ground, splayed her fingers apart and chopped off her finger tips. In the absence of international protest, this evil was nourished and in fact flourished. Everyone knows that silence is seen as consent.

I met with Dr. Sima Samar a few weeks ago. She's the woman who was the hero to women and girls in Afghanistan. She's the one who defied the ridiculous edicts of the Taliban and kept schools open for girls and continued to treat women at her hospitals, even though the Taliban said they would kill her if she didn't close them.

One day in Jaghori, the Taliban stole the generators out of her hospital and indeed managed to shut down the operation. A few days later, one of the Taliban leaders brought his sick mother to Dr. Samar's clinic in Quetta (she is known as an excellent physician). Dr. Samar examined the woman, realized she had tonsillitis and needed an antibiotic. But she told the Taliban boss to leave his mother with her and to come back the next day to collect her. When he returned she sat him down and said: "Tell you what. We've got a problem. You've got my generators. I've got your mother." They made a trade!

This is a woman with moral courage.

She became the Deputy Prime Minister in the new government. But last June she was ousted by the fundamentalists—the very ones the international community had put in place when they played another menacing card in the poker game of power. When we talked recently, I said to her: "At least with the Taliban we knew who the enemy was." She replied: "Of course it's different during war. During peace, people are supposed to be accountable." Her remark could be hooked to any of dozens of civil wars that have raged in the last two decades. There is so much sameness about all of them. Everyone from accountants and teachers to plumbers and students can predict the process of today's calamities. It begins with sabre-rattling headlines and proceeds to dire threats from the belligerents, hand wringing from diplomats and wordy documents from the United Nations Security Council. Then the bombs fall and the resulting civilian catastrophe becomes the new headline. A compromising and complicated ceasefire is drawn up with a promise of international aid that never really arrives. And nobody is accountable. The world cannot afford more Afghanistans. An increasingly savvy civil society is the *raison d'etre* for calling on the UN to alter its course. It's time to dump the old formulas and create new solutions for ending conflict.

While in Afghanistan making a documentary for the CBC, "The Daughters of Afghanistan," I was fortunate enough to stay at a guest-house that had become home to a collection of diplomats, UN experts, NGO chiefs and seasoned journalists. The dinner table conversation was fascinating. Most of us had covered the same conflicts over the last two decades—Liberia, The Gulf War, Bosnia, Somalia, Rwanda, Kosovo, Afghanistan. We shared stories about belligerents, best hotels, narrow escapes. But we also shared the same sense of frustration with the seemingly intractable conflicts. I posed the questions: Which country did this massive international rescue work for? Which of the countries we've all been in has emerged successful? The answer? Cambodia and maybe Mozambique. With the rest—Bosnia, Rwanda, Somalia, Ethiopia, Kosovo and now Afghanistan—it's a toss-up at best, a continuing collapse at worst. Success depends on the willingness of the local people to compromise. If they won't, what should happen next? Shouldn't we be building on that knowledge and using it to alter the failing course we're now on?

Consider the entrenched rules of the UN; nobody dares to alter them. So we end up with Colonel Muammar Gadafi of Libya as the Chair of the Human Rights

Commission. This is farcical to the max. The man who is known to have tortured and killed his political opponents, who financed an eclectic array of guerilla groups, not to mention Pan Am 103, and whose police have been implicated in racist attacks on black African refugees is now in charge of human rights. Many people say the rotation system used at the UN is based on: "You scratch my back and I'll scratch yours." This may be an okay comment for idle office gossip, but it's ludicrous for the body that's supposed to be managing world conflict.

So why do we cling to the old formulas? Why aren't we searching for new solutions?

The world community came together after World War II and created the United Nations so that we would never have another Hitler in our midst. But in fact we have never got rid of these egomaniacs—what followed were Idi Amin, Pol Pot, Karadiche and bin Laden. The fact is, the UN was created for a post-World War II world. It simply isn't working as well as it needs to today. And yet we fear upsetting the status quo more than we fear the disastrous consequences of leaving it alone. It takes awesome moral courage to go against the grain.

We used to think the end of the Cold War would mean peace in places like the Middle East, Eastern Europe and Africa. But we couldn't have been more wrong. Instead we got a confounding collection of pot-boiling civil wars that erupted throughout those regions. What's happened since almost makes one nostalgic for the good old days of the Cold War.

During the eighties, classical humanitarian aid was viewed both as a universal right and as a politically neutral good. The Cold War ended and gave way to what's become known as the new humanitarianism. But in this revamped relief, bandits steal the food deliveries, war lords kidnap humanitarian-aid workers and rogue presidents put conditions on humanitarian aid. It is still seen as a substitute for the concerted political action that is the real requirement. Somehow, we cannot get to that political action. Why?

At least part of the answer lies in the way the United Nations is structured.

Although it's practically heresy to say it, one needs to look at the United Nations Charter itself. Written in 1945, it's significant to note that the preamble in the UN Charter deals with people; it begins with "the peoples of the United Nations." But that's only the preamble. The articles in the charter deal with state parties. The fact is that individual states rely on support from the power brokers to stay in power so cannot fulfil the promise the charter makes to people. The Universal Declaration of Human Rights was written in 1948. It was the document that was to give teeth to the charter. But the declaration uses the male gender and for the most part omits the female gender. So were women's rights not considered human rights when the documents upon which modern society bases its fundamental rights theory were written? The women of Afghanistan would say that they weren't. Imagine if you'd been a doctor, lawyer, teacher, pharmacist or engineer one day and the next you were told you couldn't leave your home, your daughters couldn't go to school and you were not allowed to have health care. Where was the declaration for them?

As for the covenant and conventions that followed, look at the Convention on the Rights of the Child. Despite nearly universal ratification, the convention is not serving the children in the world today. Not even in Canada.

Although it's fair to say the documents were written with the best of intentions for the people they are to serve, they were written without a view to implementation. Gathering countries from all over the world together and having them agree to sign a document is an extraordinary task in itself. Getting the leaders of those countries to agree to actually enforce the document was an impossible task and one that the authors of the documents knew they could not accomplish. Accordingly, there is no iron fist of accountability in the documents. They rely instead on the politics of embarrassment.

States are seldom held accountable for ignoring their international obligations. And the complicated rules at the UN make it nearly impossible to change that. I'm involved right now in the ultra frustrating process of writing a document for presentation to the UN. It is tedious to the max; we can't say this or we can't mention that in this context. The rules are mind-boggling. And they are also barriers to getting the job done: to making peace, to getting people fed and to getting a country with a broken infrastructure rebuilt.

It's true that the UN adds resolutions to try to get around the problems. Resolution 1325 for example was entered into force two years ago. It says that women must be at the peace negotiation table. What a concept. Until then, who negotiated peace? Warriors—the people who want power and turf. I was in Israel and the West Bank last June doing a story about the Women's Peace Movement. These are Israeli and Palestinian women working together for peace. Neither group can even get a meeting with their governments. It occurred to me that women have a different agenda in the peace process. They seek policy not power. They want peace, more than a piece of turf. They need a sense of community rather than a sense of control. So I thought, thank goodness the UN has realized what they can bring to the table. But then when peace was being negotiated in Afghanistan, just 13 months after Resolution 1325 was signed, a senior bureaucrat at the UN, the redoubtable Mr. Prendergast said: "Good heavens, women can't be invited to this negotiation; it's too complicated."

So why can't we change it? Most people say it would be disastrous to reopen these documents. Is there a suggestion that what we are dealing with instead is not disastrous?

Some say the world cannot afford these changes. Consider this: the U.S. and the Soviet Union spent $10 trillion on the arms race during the Cold War. The World Bank says it would take $1 trillion today to wipe out world poverty. Indeed that is a lot of money. But the alternative is vastly more expensive. You think we can't afford it? There's more money in the world today than there has ever been, but it's concentrated in fewer and fewer hands. More decisions are made in Davos, Switzerland, than at the United Nations. And let's be honest; you can't make laws to stop terrorists when terrorists are fed by being without.

The people caught in these catastrophes are beginning to ask their own questions. Who gets rescued? If Iraq was exporting potatoes rather than oil, would the world community care so much about the maniac in power in that country? And once the rescue begins (presuming you have oil; by the way there's more oil on the northern borders of Afghanistan than there is in Saudi Arabia), what happens when the international community arrives in town? They're seen cruising around in big SUVs, they have shelter, food and an evacuation plan. The local people also know that they can be abandoned in a nano-second as the Afghan people learned when the Cold War ended. The international community moved like a school of minnows, suddenly and all at once to a new feeding ground, leaving the vacuum that was then filled by the fundamentalists. As war with Iraq looms, they expect the same thing will happen again.

Still others say, we are meddling, that these issues are none of our business. In many of the stories I cover as a journalist, the issue of cultural relativism rears it head. Some say I have no right to speak of these issues since they are part of the culture or the religion and I am speaking as a western woman. But women have long known that the misogynist acts used against them in the name of culture and religion aren't cultural or religious at all.

Instead it's a way of keeping the taboo. If you can't talk about it, you can't change it. It's like playing a cultural trump card to keep the status quo. Look at the Taliban. Here's a gang of thugs who hijacked their own religion for political opportunism. They said they were doing this in the name of God. There isn't a word in the Koran to support what they did to the women of Afghanistan. There is nothing in the Koran to suggest a girl cannot go to school or a woman cannot go to work or even that a woman must cover her face. These guys were making it up as they went along. And they were getting away with it. The UN officials there told me it was none of my business. It was cultural. This wasn't cultural; this was criminal.

Even now that everyone knows what happened was criminal, who is accountable?

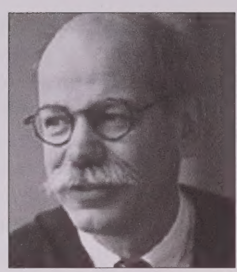
Nobody. Why? Go back to the UN Charter and international law for the answer. In international law there is a difference between state responsibility and state accountability: The state is legally responsible but politically accountable. So if they can get the support, to hell with the law.

The issue for me is that I read lengthy UN documents about the grand plan, but on assignment in these places I don't see it in action. Let me tell you about a little girl I met while in Afghanistan in October. Her name is Lima. She thinks she's 13 years old but she isn't sure. Her mother, father and grandmother were killed by Taliban bombs in 1998. Now she is the sole provider for her four younger siblings. She works from dawn to dark, cooking, cleaning their clothes, taking care of them. Her life is unimaginably hard. She says she has no hope. I asked her if there was something she liked to do when she could get away from the endless chores. She was quick to respond and took me to the edge of the village. While we walked there, I had a cockeyed notion that she was leading me to a play field or some place where she could act her age. She wasn't. She took me to the village cemetery. This is where this blameless child seeks relief. She sits under a tree praying for and talking to her mother. More than half of the girls and women in Afghanistan are like Lima. It's not good enough.

There's a giant global chess game going on in Afghanistan today. Playing on one side are the fundamentalists who want a destabilized central government, war lords controlling pockets of turf throughout the country and the silencing of women. They are well-funded by places like Iran, Saudi Arabia and Pakistan. Playing on the other side is the international community that made a *de facto* promise to the people of Afghanistan: Let us invade your country to get rid of the terrorists and your life will be better. The promised funds from the international community have not arrived in sufficient quantity to make that change. What happens in Afghanistan will affect the entire region, maybe even the world. We simply have to demand that the UN find better solutions. There are droves of clever, highly experienced, well-meaning officials at the UN who know what to do. They haven't so far got the courage to do it.

But like I said, it takes awesome moral courage to go against the grain. It's tough to take a stand, to brave the disapproval of your colleagues, the censure of your friends and the wrath of society. It's been said that moral courage is a rarer commodity than bravery in battle or even great intelligence. Yet it is the one essential vital quality for those who seek to change a world that yields most painfully to change.

The appreciation of the meeting was expressed by Col. Frederic L.R. Jackman, CSt.J, PhD, LLD, President, Invicta Investments Incorp. and Past President, The Empire Club of Canada.



January 30, 2003

Dr. Dieter Zetsche

President and Chief Executive Officer, Chrysler Group

DAIMLERCHRYSLER AND CANADA

Chairman: **Ann Curran**
President, The Empire Club of Canada

Head Table Guests

John C. Koopman, Partner, Heidrick & Struggles and 1st Vice-President, The Empire Club Of Canada; Matt Salvian, OAC Student, Iroquois High School, Oakville; Reverend Dr. John Niles, Victoria Park United Church and Director, The Empire Club Of Canada; Uwe Harnack, President and CEO, Canadian German Chamber of Industry and Commerce; Linda Hasenfratz, President and CEO, Linamar Corporation; Ed Brust, Chairman, President and CEO, DaimlerChrysler Canada Inc.; Ray Finnie, President and CEO, Wescast Industries Inc. and President, Auto Parts Manufacturing Association; Buzz Hargrove, President, Canadian Auto Workers; Red Wilson, Chairman, Nortel Networks Corporation; William G. Whittaker, QC, Partner, Lette Whittaker and 3rd Vice-President, The Empire Club of Canada; Robert A. Renaud, Vice-President, Public Affairs and Government Affairs, DaimlerChrysler Canada Inc.; Tom Macmillan, CEO, CIBC Mellon Global Securities Services Co.; Belinda Stronach, President and CEO, Magna International Inc.; Rob Lander, President and CEO, Stackpile Limited; Robert Schad, President and CEO, Husky Injection Molding Systems Ltd.; Edward Lumley, Vice-Chairman, BMO Nesbitt Burns; and Sean Weir, National Managing Partner and CEO, Borden Ladner Gervais LLP.

Introduction by Ann Curran

As cliché as it may sound, the automotive industry is an essential driver of the Canadian economy particularly here in Ontario.

Over the years the Empire Club has heard several experts speak about the industry and its trends. In fact we have had four presidents of the Chrysler Corporation address the club—Lester Colbert in 1957, Lynn Townsend in 1964, John Riccardo in 1973 and Lee Iacocca in 1981.

Needless to say a lot has happened to Chrysler since 1981, most notably the merger between Chrysler Corporation and Daimler-Benz, so we are delighted to have the current President and CEO with us today to bring us up to speed and into the future.

Today, DaimlerChrysler is one of the world's leading automotive, transportation and services companies. A good word to use when describing this company is global. It has a global work force, a global shareholder base, a global brand awareness and a global outlook.

With over 370,000 employees in 2001, DaimlerChrysler achieved revenues of close to 153 billion euro. It sold close to four million passenger cars and half a million commercial vehicles, manufactures in 37 countries and sells product in more than 200 countries.

Since November 17, 2000, Dr. Dieter Zetsche is responsible as President and CEO for the Chrysler Group on the Board of Management of DaimlerChrysler AG. Previously he was responsible for the commercial vehicle division.

Prior to this, Dr. Zetsche was a member of the board of management of DaimlerChrysler AG with responsibility for the sales division. This included responsibility for worldwide brand management for the Mercedes-Benz and smart brands, as well as for the sales of all brands in Europe, Africa, Asia and Australia/Pacific.

Zetsche was born in Istanbul, Turkey, on May 5, 1953. After studying in Germany, he graduated in 1976 as an engineer.

He joined the research division of Daimler-Benz AG in 1976 and was appointed Assistant to the Chief Engineer of the commercial vehicle division in 1981. In 1982, he was awarded a Doctorate in Engineering at Paderborn Technical University.

Dr. Zetsche, as President and CEO of the Chrysler group, will provide an update on the longstanding business relationship between his company and our country.

He will offer a glimpse of the blueprint for Chrysler's "new era of innovation"—and a few tantalizing hints of the bold new cars and trucks it is introducing.

He will also outline Canada's role in the company's evolution from the smallest of Detroit's big three to a major component of a giant global manufacturing enterprise.

Given the headlines in today's newspaper, I'm sure everyone is looking forward to hearing our speaker. Ladies and gentlemen please welcome Dr. Dieter Zetsche.

Dieter Zetsche

Thank you Ann for that kind introduction.

The Empire Club boasts a long list of distinguished speakers, and I can truly say that I'm honoured to join you today. However, I noticed my invitation didn't come until we had signed up two of Canada's national treasures to represent our Chrysler brand.

First, the celebrated jazz singer Diana Krall for Chrysler here in Canada. Then we signed up Celine Dion for a similar function in the U.S. And, presto! Within a month here I am at the Empire Club! (By the way, you are going to see a bit of Celine here in Canada as well as Diana.)

Both Diana Krall and Celine Dion fit extremely well with our company. Both have risen to the top of their professions because they have discovered their own unique formula for success: they first mastered the science of their craft, and then they balanced it with a passion that elevates it to art. (Around the Chrysler Group, we refer to that combination as "Disciplined Pizzazz.")

It's a formula that I believe has a more universal application.

Some of you might think that it's a bit of a stretch to relate the need for passion in music to the auto industry, but I submit that it's a necessary ingredient for success. It's what "puts you over the top."

Let me explain. Just a few weeks ago in Detroit we kicked off the opening of the North American International Auto Show, which jumpstarts the New Year for the global auto industry.

For those of you who haven't experienced it, you might imagine that it's where Detroit meets Hollywood (except that people have to wear coats and boots instead of shorts and tee shirts!).

Looking back on this year's auto show, I think it's fair to say that the two things that may have generated the most "buzz" were not even cars! The first was a motorcycle. And the second was one of the talented Canadian singers I mentioned earlier.

The motorcycle was a concept vehicle that we developed for the show called the "Dodge Tomahawk." The Tomahawk is literally a sleek, gleaming chromed motorcycle chassis built around the powerful 500-horsepower Dodge Viper engine.

On a race track, the Tomahawk has a zero-to-100 km/h time of about 2.5 seconds and a top speed of 500 km/h. Or, as one automotive publication wrote, it is "fast enough to rearrange your internal organs."

The second attention grabber was Celine Dion. She sang three of her hit songs at our Chrysler brand exhibit during the auto show's charity night preview.

A large number of the 17,000-plus attendees simply staked out places at our exhibit, listened to Celine's amazing and powerful voice, and then went home happy, without ever "kicking a tire."

Now, how could these two non-car products just about steal the show—the biggest auto show in the industry? The answer might be in the word passion.

Both the Dodge Tomahawk and Celine Dion are what you might call "ultimate expressions of their genres." And they move us.

We haven't decided to produce the Dodge Tomahawk motorcycle. But if we do, its small volume would not contribute much to the bottom line and nothing to our car and truck market share numbers.

Nevertheless, since unveiling the Tomahawk, I've had numerous journalists, industry analysts, colleagues in the industry—even our own employees—tell me that this demonstrates that "the Chrysler Group is really back."

Why would they say this? Because the Tomahawk serves as a symbol of the reinvigorated emotion within our company for what we do. And that is to build vehicles that provide more than just economical and reliable transportation; they help stir the soul.

And "stirring the soul" need not be purely an exercise in proving the influence of aesthetics. For example, the all-new Hemi-engine-equipped Dodge Ram pickup truck—a true workhorse—also has the right formula of human passion and technological innovation. It came about when the right ingredients were blended in the right test tube—in this case, the Dodge test tube. Ram can stir many souls, while generating profit and capturing market share, as can any vehicle with the "right stuff" in any market segment.

People get excited about cars and trucks for one simple reason—they stir something deep inside so many of us, whether we're deeply involved in the business, or everyday consumers on the street. There's a powerful and undeniable emotional connection that many people have to motor vehicles.

And it starts at a young age. Most young adults are more excited when they reach driving age than when they reach the age to vote.

If we can add that special ingredient of passion to what we do—whether in the case of designing, engineering, assembling and marketing vehicles or, in Celine's case, singing and performing or whatever one's professional pursuits may be—we will be inspired, we will innovate, and we will have a shot at success (and maybe we'll even steal a show of our own.).

If you can't, you can probably expect to slowly wither away.

As a proof of point, it's interesting to note that whenever Chrysler has fallen on hard times—which in the past

40 years has seemed to occur on or about the turn of each decade—it has happened when the company may have lost its passion or maybe just backed off the throttle a bit.

My guess is that Toronto native Mike Meyers, playing Austin Powers, would describe this phenomenon as "losing your mojo."

And conversely, our renewals have always been fueled when we've gone back to our roots, recaptured our spirit of innovation and brought it to the market quickly with vehicles that deliver on the rational level, and yet still excite.

It's how we get our mojo back.

It was the same passion for creating great products that gave birth to our ground-breaking, "segment-busting" vehicles, including our trend-setting Dodge and Chrysler minivans in the '80s. And our "cab-forward" Dodge Intrepid, Chrysler Concorde and Chrysler 300M sedans in the '90s. (All of these vehicles are still assembled here in Canada today.)

A more recent example is the Chrysler PT Cruiser, which remains, as we like to say, "just too cool to classify."

Two new products this year, the Chrysler Pacifica and Chrysler Crossfire, also reflect our passion for innovation and excellence and to succeeding in the market in the long term, based on the strength of our products (and not on the shorter-term thinking of the "deal of the day" or incentives.)

The Chrysler Pacifica kicks off a big product offensive for the Chrysler Group this year. In fact, the first vehicles for consumer purchase will be rolling off the line in Windsor just a few days from now.

With its low, step-across entry and exit, three rows of seats and car-like handling, the Chrysler Pacifica will redefine the large-vehicle segment in the same way the PT Cruiser defined the small-vehicle segment.

This spring, we'll also launch the Chrysler Crossfire, which is a showcase for the combined strengths of DaimlerChrysler. The Crossfire is a combination of creative American design and solid German technology. We like to say it is where Route 66 meets the Autobahn. And, in Chrysler's style of speed-to-market, it will find its way into dealer showrooms just 18 months after we made the decision to produce it.

Just a few weeks ago, at the North American International Auto Show in Detroit, we also unveiled the Dodge Durango Hemi R/T concept vehicle, which bears a "striking resemblance" to the next-generation Durango that will go into production late this year.

I hope you all get a chance to see these vehicles and the rest of our products in person at the Canadian International Auto Show here in Toronto next month. Perhaps those new Dodge, Chrysler and Jeep vehicles will ignite a passion among some of you to visit a nearby dealership.

The fact of the matter is that a passion for developing, building, marketing and selling great vehicles has been—and always will be—integral to Chrysler's success. That is the case here in Canada, as it is elsewhere.

However, in the complex auto industry (as in marriage!) we cannot survive on passion alone.

Although that ingredient is absolutely critical to success in the auto industry, if the "hard science" foundation is not in the mix, the end result may be confusion at best, and failure at worst. (Going back to my analogy with our famous singers, just imagine if they still had their powerful voices, but couldn't carry a tune.)

I'd like to discuss four issues in the auto industry where I believe this applies: quality, sport-utilities, the environment and sustaining the industry.

First, quality. If we build vehicles that are all pizzazz—but lack the quality that results from a disciplined approach to design, engineering and manufacturing—

then our customers' "dream cars" could turn into their worst nightmares.

We are working hard to improve quality-to-industry benchmark levels, and we're making good progress. In the 2002 model year, our product quality—as measured in warranty costs—improved by more than 20 per cent. That trend has continued in the early part of the 2003 model year. And it's a rate of improvement that is four times greater than previous years.

Second issue: sport-utilities. As many of you know, there is a spirited debate over sport-utility vehicles playing out in the U.S. and Canadian media.

On one hand, there are small, vocal and well-organized groups that want to indict an entire class of vehicles as evil and that ranges from thrifty, all-wheel-drive runabouts all the way up to 7,000-pound vehicles that were originally designed for heavy cargo and towing.

On the other hand, you have some equally diehard SUV owners whose response is something akin to: "Don't tread on my SUV."

In between we have more than four million satisfied SUV buyers in North America a year.

While I can appreciate the passion that moves all of these groups to act, I'd suggest that what might be more productive than an emotional debate (driven by the extreme end of either side), is a rational discussion on the complex issues around SUVs.

For example, we need to consider long-term policies that best lead to overall energy conservation efforts, instead of focusing on one class of vehicles (or even one industry). Strategic policies that extend beyond the auto industry and address economic, supply and consumption issues may achieve results that best benefit society as a whole.

We also need to ensure that we maintain consumer choice in our free-market economies, and allow people to purchase vehicles that fit their needs and aspirations.

Perhaps a more productive dialogue would be to look at what the auto industry can do to give consumers additional new choices in vehicles that deliver the utility of SUVs in a package that offers car-like efficiencies. The Chrysler PT Cruiser does that, so will Chrysler Pacifica.

We clearly accept our responsibility to conserve fuel and protect the environment. And, for our part, we continue to improve on the significant advancements we've made in emission control and alternate-fuel technologies.

This brings me to the third issue: the environment. It's another example of an auto-industry issue that requires a more balanced formula of passion and science to get results.

We know that environmental concerns are high on Canada's list of priorities—as exemplified by the recent ratification of the Kyoto Accord and the recent adaptation here of new emission regulations that harmonize with U.S. (Tier 2) requirements. Those are important steps and we share the concern for the environment.

However, some people might have you think that the auto industry has no interest in finding technologies that will power our next generations of cars and trucks. That couldn't be further from the truth.

We are dedicated to improving the fuel efficiency of our vehicles and are committed to our ongoing work on low-emission and alternative fuel vehicles that can help reduce greenhouse gasses.

Our hope is that we can work together with the government to come up with fuel efficiency and emissions policies and, most importantly, vehicles that are "win-win-win"—for automakers, government and, most importantly, consumers. We are committed to developing for sale innovative alternate-fuel vehicles that might, one day, win a growing share of the market here in North America and around the world.

For example, DaimlerChrysler is by far the world's largest producer of flexible-fuel vehicles (or FFVs), in which all fuel sensing and calibration of the gas and alcohol mix is done electronically.

Consider these numbers: there are currently an estimated 1.7 million FFVs on the road in North America that can operate with some percentage of ethanol. Chrysler, Jeep and Dodge vehicles account for more than one million of these vehicles.

If the infrastructure were in place to allow for greater ethanol use, it is estimated that those 1.7 million vehicles could save 30 billion litres of oil in their lifetime and reduce CO_2 emissions by 67 million metric tons.

While FFVs are a potential near-term solution to the conservation and environmental needs of today, fuel-cell technology is an example of another solution that is promising—but much further away.

DaimlerChrysler has already invested more than C$1.5 billion in fuel-cell technology programs. DaimlerChrysler set a record for durability when we drove a fuel-cell vehicle from Sacramento, California, to Washington, D.C., this past year.

Never had a fuel-cell vehicle been driven so far, in challenging real-world conditions, including high elevation and low temperatures. This vehicle was also equipped with an on-board "reformer," a system that pulls hydrogen from liquid methanol, increasing the technical challenge.

Chrysler is also developing fuel-cell vehicles powered by sodium borohydride—essentially laundry detergent mixed with hydrogen. I'd advise you not to attempt this at home with your own detergent.

But this unique system gives our Natrium minivan concept vehicle a range of 300 miles, and it emits no smog-forming or greenhouse gases. In fact, the only thing it emits is water. This past November, Popular Science magazine gave the Natrium its "Best of What's New" award for 2002.

We will produce 60 fuel-cell-powered vehicles this year for sale around the world.

Still, the reality is that fuel-cell vehicles are not yet commercially viable—and electric vehicles may never be. We continue to explore the viability of mass-market hybrids, and we'll continue down that road by introducing a hybrid Dodge Ram truck later this year.

These are all potential solutions and all are important to test and research, market and test some more. But it is too easy in this world of instant gratification to be conned into believing that this technology is available on the back shelf of some automaker's Research Centre. It just isn't true.

And it is our responsibility—our corporate and governmental responsibility—to continue to look for nearer-term successes as well as the "silver bullets" that might never be. I've talked about FFVs as one potential near-term opportunity. Another is diesel technology.

When it comes to finding ways to reducing greenhouse gases and the dependence on foreign fuel, there are some simple answers right in our own backyards, if we only allowed them to be accepted.

DaimlerChrysler has long been recognized as a world leader in diesel technology—and we see increasing opportunities to emulate here in North America our company's success with clean diesels in Europe.

Today's lean-burning diesels can improve fuel economy by up to 30 per cent, reduce CO_2 emissions by an average of 20 per cent, and provide durable and smooth "gasoline engine-like" performance.

Diesel has the potential to power vehicles the public will demand, as compared to the alternative of forcing something on the market that it doesn't want.

In fact, a J.D. Power study released earlier this week indicates that, given a choice, more consumers would select a clean diesel than a hybrid electric engine to power their next vehicle.

And that's why we recently announced that next year we will begin selling a diesel Jeep Liberty with a 2.8-litre common-rail turbo-diesel, part of a proven engine family that is currently available in some Jeep vehicles outside North America.

Diesel is a readily available technology that can be a significant potential part of the solution for North America until technologies like fuel cells have mass-market availability.

We believe that regulators and consumers alike will recognize the fact that modern, clean diesel engines—with their electronic engine controls, sophisticated fuel-injection systems and dramatically improved emission-control devices—are totally different animals from the old diesels, on which most of the data and perceptions are based.

Diesels will help reduce greenhouse gases—but we'll need some help from Ottawa and the oil industry to address other issues such as particulate emissions. One thing that would help is for refiners to produce and distribute low-sulphur diesel fuels throughout North America.

In Europe, where some 35 per cent of all passenger cars are diesel-powered, diesel fuel is typically six times cleaner than North American diesel fuel. (The good news here is that in Canada you already have regulated clean diesel fuel for 2006.)

The only way to resolve the issues related to diesels is for automakers, refiners and government to make a commitment to resolve them together.

And that brings me to my fourth and final issue that would benefit from a formula of passion and science: sustaining the industry.

Ultimately, it's our ability as manufacturers to make products that inspire, and to achieve competitive costs and operational excellence, that allows us to compete and contribute to the economy. And, on all counts, I believe we do well here in Canada.

Our Dodge Caravan minivan, for example, has been the best-selling vehicle in Canada, car or truck, for three years in a row. And better than one out of every seven vehicles sold in Canada is a Chrysler, Jeep or Dodge product. (We see an opportunity to do even better on the strength of the new products I mentioned earlier.)

In addition to our major assembly plants here in Ontario—two in Windsor and another in Brampton—we also operate several component plants, as well as regional business and parts distribution centres from coast to coast.

Our combined total Canadian employment is more than 13,000 people, with an annual payroll approaching C$1 billion. We enjoy excellent relationships with Canadian suppliers (many of whom are represented here today) and we have a strong distribution network of 512 Chrysler, Jeep and Dodge dealers across the country, many of whom are with us here today.

A visible symbol of our commitment to Canada is our new 15-story headquarters building facing the Detroit River in Windsor.

We've also invested more than C$460 million in the Windsor Assembly Plant, where we will build our all-new 2004 Chrysler Pacifica on the same production line as our best-selling Dodge Grand Caravan and Chrysler Town and Country minivans.

These flexible manufacturing initiatives will save nearly C$165 million for the Pacifica launch, while simultaneously reducing tooling and facilities capital expenditures by approximately 40 per cent.

These are the types of operational improvements and cost savings that we will strive to achieve moving forward to ensure long-term competitiveness.

As most of you have heard, we are also building a business case to potentially open a "greenfield concept" assembly plant in the Windsor area for a new generation of Chrysler Group vehicles. Doing so will involve unique new partnerships among the company, union, suppliers and government, with no single element taken in isolation.

We were only able to move this far ahead in these discussions thanks to the labour agreement we signed in October with the Canadian Auto Workers union.

In this context, I might add that we also appreciate Buzz Hargrove's boundless passion for representing the interests of our bargaining unit employees—the members of the CAW.

The recent labour agreement is representative of the kind of innovation necessary to compete in today's international auto industry.

For example, it foresees on-site suppliers who will take full responsibility for the body and paint shops—not just for their training, operation, or employment, but even for the capital investment. In other words, our supplier-partners would share in both the financial risks and rewards.

Should we move forward, it would be the first auto assembly plant in North America to be operated under these types of agreements. And it will be unique, innovative and forward-thinking partnerships among manufacturers, labour, suppliers and governments that will win the day in the global auto industry.

That's why we applaud the efforts of the Canadian Automotive Partnership Council—a new joint government/industry initiative—to help formulate an auto industry policy for Canada.

We know that creating a climate that is conducive to maintaining and growing a critical industry, beset by fierce global competition, is a difficult and complex task, but a worthy one.

That's why this council is taking on the difficult task of recommending to Ottawa an integrated approach to keeping Canada competitive in the automotive sector.

In that regard, Ontario provides a mature infrastructure, highly skilled workers, a good supplier base, and excellent distribution channels.

We are engaged in discussions with government representatives and prospective suppliers on the potential new plant in Windsor to finalize the business case. (And, since those discussions are ongoing, that's all we can say on this topic for now.)

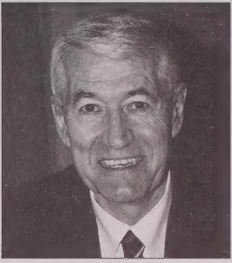
However, I will tell you this: DaimlerChrysler is here for the long term. Even before the proposed new Windsor project, we are investing more than C$2.6 billion in our operations in this country in the 2002–2005 time-frame—more than our two major competitors over this four-year period.

And throughout the Chrysler Group and DaimlerChrysler, we are using our extensive global resources and working with a formula of passion and science to create the auto industry's most innovative products, and deliver great value to our customers, shareholders, employees and to the countries and communities in which we live and work.

All of us at DaimlerChrysler are proud of our long history and citizenship here in Canada, and we look forward to building an even brighter future.

Thank you very much.

The appreciation of the meeting was expressed by John C. Koopman, Partner, Heidrick & Struggles and 1st Vice-President, The Empire Club Of Canada.



February 6, 2003

Professor Robert J. Birgeneau

President, The University of Toronto

A UNIVERSITY EDUCATION THAT CANADIANS DESERVE

Chairman: **Ann Curran**
President, The Empire Club of Canada

Head Table Guests

Edward P. Badovinac, Chairman, The Good Neighbours' Club and Director, The Empire Club of Canada; Craig Kielburger, Freshman Student, Trinity College, University of Toronto, Founder, "Free the Children," Nominee, Nobel Peace Prize and Author; The Reverend Vic Reigel, Christ Church, Brampton; Professor Michael Bliss, Department of History, University of Toronto; David A. Edmison, President, Martin Lucas & Seagram Independent Investment Counsel, Chairman, The Empire Club Foundation and Past President, The Empire Club of Canada; Dr. Reginald Stackhouse, MA, LTh, BD, DD, Principal Emeritus, Wycliffe College, University of Toronto and Past President, The Empire Club of Canada; Mary Catherine Birgeneau, Wife of the President of the University of Toronto; Dr. Claude Lajeunesse, President and Vice-Chancellor, Ryerson Polytechnic University; Heather Ferguson, Director, Development and Alumni Relations, Faculty of Nursing, University of Toronto and Director, The Empire Club of Canada; Dr. William Forde Thompson, Director, Communication, Culture and Information Technology, University of Toronto at Mississauga; Dr. Richard Alway, Principal, St. Michael's College, University of Toronto; Dr. John Polanyi, PC, CC, FRS, Professor of Chemistry, Nobel Laureate 1986, University of Toronto; Warren Goldring, Chairman, AGF Management Limited and Director, The Empire Club Foundation; and The Hon. Henry N.R. Jackman, OC, KSt.J, OONT. CD, LLD, Chairman and President, E-L Financial Corporation Ltd., Former Lieutenant-Governor of Ontario, Chancellor, University of Toronto, Past President and Honorary Chairman, The Empire Club of Canada.

Introduction by Ann Curran

I now have the pleasure of introducing to you our guest speaker, Professor Robert Birgeneau, President, University of Toronto.

A Toronto native, Professor Robert Birgeneau received his BSc in Mathematics from the University of Toronto in 1963 and his PhD in physics from Yale in 1966.

He was on the faculty of Yale for one year and then spent one year at Oxford University through the National Research Council of Canada.

He was a member of the technical staff at Bell Laboratories from 1968 to 1975 and then joined Massachusetts Institute of Technology as a professor of physics. In 1982 he was named Cecil and Ida Green Professor of Physics. Then, in 1988 he became Chair of the Physics Department and in 1991 was appointed MIT's Dean of Science.

On July 1, 2000, he was named the 14th President of the University of Toronto, Canada's leading research university. U of T is currently celebrating its 175th anniversary.

Prof. Birgeneau has received many honours for his research. In 1987 he was awarded the O.E. Buckley prize of the American Physical Society and in 2000, the J.E. Lilienfeld prize of the American Physical Society.

Birgeneau, who is one of the most highly-cited physicists in the world, was elected to the Royal Society of London in 2001 and the Royal Society of Canada in 2002.

During his installation address, President Birgeneau said the University of Toronto would within the next 10 years position itself among the world's top public universities through the pursuit of excellence in research and education, equity in its recruitment of faculty and staff and outreach through greater voluntarism.

In his view, a research university offers the best possible education that one can obtain. Great researchers bring to the classroom a depth of understanding and a passion for the subject, which is simply not obtainable otherwise. U of T must have a faculty who both play a leadership role internationally in research and scholarship and who are committed educators.

Today, President Birgeneau will speak about "A University Education that Canadians Deserve."

Canada's leading public research universities have a special role in serving the education needs of our country. As public institutions, they have at the heart of their mandate the goal to provide the best in higher education to as large and diverse a segment of the population as possible. It is essential therefore, that our leading public research universities engage the strong support of the public and private sectors so as to ensure a place of strength for Canada globally.

Ladies and gentlemen, Professor Birgeneau.

Robert Birgeneau

I am delighted to be here today, and to share the spotlight with the Amici chamber ensemble. Amici is an ensemble-in-residence at the University of Toronto, and on behalf of the university, I would like to congratulate this uniquely talented group on their 15th season.

Ladies and gentlemen, in this year in which we celebrate the University of Toronto's 175th anniversary, I am honoured that you have given me this opportunity to speak at today's meeting of the Empire Club.

For all of its 175 years, the University of Toronto has been making positive contributions in countless ways to our community. I am privileged to lead my university into its third century, and deeply proud of its prominent role in shaping our city, our province and our country.

Today I intend to outline some of my views on the current state of the University of Toronto, and the uniquely important part that our public research universities, such as the University of Toronto, will need to play in our nation's future.

Canada's leading research universities, of which the University of Toronto is one, occupy a special place in the service of the public's educational needs. They do this by providing exemplary undergraduate and graduate education. Notably, their wide-ranging professional faculties educate professionals in virtually every field from health to architecture. Indeed, the graduates of their master's and doctoral programs enrich the work force and become future faculty members in all of our universities and colleges. One statistic that I find particularly striking is that one out of every six professors at Anglophone universities across Canada, from Dalhousie to UBC, possesses at least one University of Toronto degree.

What then do I mean when I speak of a leading research university? In my view, the top universities give equal value to teaching and research, and they combine research, scholarship and education in unique ways that shape not only the graduate, but also the undergraduate experience. Such universities attract very talented students, and the reasons are manifest. There is nothing more exciting for a student than sitting in a classroom, or lab, with a professor whose own work is helping to change the paradigm in his or her field; or who is deeply engaged in the major, current questions on the frontiers of knowledge. Nothing can replace the educational value of studying with the people who are transforming knowledge as they speak.

Every great city is fulfilled by the presence of a leading university at its heart. The University of Toronto plays this role in Toronto. I believe firmly that as the university grows in stature, so too will the city. Moreover, as a public university, the University of Toronto has an obligation to be inclusive in educating everyone from our diverse community and beyond who qualifies for admission. It means that our faculty must be both inclusive and representational while meeting the highest standards as teachers and scholars both nationally and internationally.

While the University of Toronto operates in a provincial, national and international context, it is firmly linked to its public roots. Since Canadian higher education is virtually entirely public in character, public universities are the backbone of Canadian higher education; with a commitment to equity and access, and significant contributions to the economic growth and development of the nation.

Canada's public university system strives to provide the best in higher education to as large and diverse a segment of the population as possible. This sets Canadian universities apart from many public universities in other parts of the world, and from the private universities that, by their very nature, have very different missions.

In modern societies, research universities are the principal sources for the creation of new knowledge, and as such, they have a disproportionate impact on the economy. By inference, universities are critical in an environment that prizes and nurtures innovation.

Evidence of the centrality of the modern research institution to the wealth of nations comes to us from the United States, Europe and Japan. In particular, the health and vigour of the American economy in recent decades owe much to the dynamic and innovative research enterprise in that country, which includes both basic and applied research. Universities are at the heart of this research activity. Governments in the United States, in particular, have long recognized the vital role research plays in stimulating economic growth; funding levels and public policy initiatives have facilitated the transfer of knowledge for development in both the commercial and non-profit sectors.

Since returning home to Toronto almost three years ago, I have been advocating a need for Canadians, and in particular, Ontarians, to increase their investment in higher education in line with what I had observed taking place during my years as a researcher and professor in the United States. My views are now being supported by hard data on the economic and social impact of such investments on various states in the United States, including Massachusetts and New Jersey where I have lived.

Such evidence has appeared in the first annual report of the Task Force on Competitiveness, Productivity and

Economic Progress that was charged by the Ontario government to measure Ontario's competitiveness. Chaired by Dean Roger Martin of U of T's Rotman School of Management, the Task Force includes the likes of Gordon Homer of Scotia Capital and Belinda Stronach of Magna International. Some of you may have been in the audience at the Canadian Club last week when Roger Martin gave an eloquent and compelling talk on the "first round" conclusions of his Task Force.

Their investigation found that, while Ontario's economy fares well in international comparisons, it ranks 14th among a peer group of 14 U.S. states and Quebec, finishing only ahead of Florida and Quebec on the list, when GDP per capita is measured. This peer group was drawn from states that are Ontario's leading trading partners and similar in profile to this province.

Their report suggests that one of the key factors in the prosperity gap that places Ontario's living standards behind these other jurisdictions is Ontario's much lower total investment per student in university education. As the report indicates, the U.S. spends twice as much as Ontario on higher education as a percentage of GDP. Moreover, the U.S. peer group continues the investment further into the master's and doctoral levels of graduate education than does Ontario. Apart from government spending, the report also notes that there is a much larger investment in post-secondary education and research in the U.S. than in Ontario by individuals (students, their families, alumni and friends).

We are facing added challenges in Ontario with dramatic enrolment growth and the already unfavourable faculty student ratios at U of T as compared to our peer institutions in the U.S. (1/29.1 vs. 1/22.7 for the U.S. mean) are bound to worsen. Greater financial support is needed to preserve and enhance excellence in our programs.

The concerted and renewed support of the public and private sectors in the United States in helping shape that environment is also vitally important to us in Ontario and Canada if our country is to emulate and indeed surpass the economic success of the world's leading economies.

We must be committed to renewing, energizing and providing increased financial support to the research environment in this country. This is critical because our success in the global economy will not be secured by "borrowing" knowledge from other places and centres of intensive research activity.

A handful of our leading research universities, such as the University of Toronto, aspire to join the ranks of the very best public research universities in the world—the University of London, ETH Zurich, the University of Tokyo, the University of Michigan, University of California at Berkeley, and others. Such universities have teachers and professors who are deeply committed to education and simultaneously provide international leadership in scholarship and research. Clearly, Ontario and Canada deserve, and are capable of having, a number of research universities that rank with the best in the world.

Among the cornerstones of Canada's public system are equity and accessibility. Having said that, Canadian universities remain somewhat hampered by outdated perceptions of what constitutes equity.

One of these is the commonly held Canadian view that somehow equity can only be achieved if every institution is treated the same, especially under provincial and federal funding regimes. This is equity for "institutions" rather than equity for "people." In our current system the well-to-do can go to Oxford, the Sorbonne, or UC Berkeley. Poor and middle-class Canadians, however, do not have these options. Thus for true equity, we must have institutions in Canada comparable to the best universities abroad. In trying to treat all institutions the same way, governments have sought to allocate funds under a system of "rough justice." But these approaches have, in fact, done an injustice to our institutions of higher education.

Excellence is not given an opportunity to flourish when our strengths are not differently nurtured and supported.

This traditional Canadian aversion to what many of us call "differentiation" is an additional impediment to a healthy, vibrant and internationally competitive Canadian system of higher education.

Many universities in Ontario fulfil quite different mandates than the University of Toronto. For instance, if a student entering university wishes to study Agriculture, he or she will attend Guelph; if the student wants to go into a professional Forestry program, he or she may choose Lakehead; for Journalism, Ryerson, Western or Carleton; and so on.

It is simply not practical or even possible that every university in Ontario and Canada be everything to everyone. Canadian universities must find strength in their unique set of traits and experiences.

I believe however that Canadians must, above all, be prepared to help support Canada's best research-intensive universities. It is essential that our leading public research-intensive universities engage the strongest possible support from both the public and private sectors so as to ensure a place of strength for Canada in the global enterprise, for the benefit of building both our financial and intellectual capital. I believe that proper support for our leading research universities is the surest way to ensure future prosperity for our citizens, and strong and diversified support is the hallmark of the best public research universities in the world.

Let me re-emphasize that by this I do not just mean government support. Our high-end educational institutions need major support from the private sector. Further, although it is currently not very popular, I believe that students who can afford it, should pay their fair share of the total cost of their education. Some have said that there has been an unreasonable rise in tuition rates at Ontario universities. In response, I would like to point out that at the University of Toronto, arts and science and medical students currently pay less than 25 per cent of the real cost of their education compared with 35 per cent historically.

Student debt is another area of current concern. At the University of Toronto, the average debt for students leaving first entry programs is $7,000. Less than two per cent of our students have OSAP debts of $28,000 or more at graduation. For our part, we are currently trying to construct a loan-forgiveness program to help reduce this burden for deserving students.

The accessibility of our Canadian universities is another facet of their greatness that must be strengthened. To meet the social responsibilities of the University of Toronto, in particular, we must be accessible to all segments of our society. In order to achieve this, we provide all qualified students with a financial aid structure that enables them to attend the University of Toronto with as small a financial burden as possible before and after graduation. Furthermore, we guarantee that financial resources, or a lack therefore, should prevent no student from either beginning or concluding their University of Toronto education. We were the first university in Canada to adopt this policy and make this commitment, something of which we are particularly proud.

The University of Toronto has also committed a minimum of at least $12,000 plus tuition and fees to eligible doctoral stream students. We are the first Canadian university to offer a guaranteed level of financial support for PhD students who will now be on a more equal footing with their counterparts in other countries. Several leading Canadian universities have already announced their intentions to follow our lead.

Currently the Ontario Student Assistance Plan (OSAP) guarantees accessibility for people from financially disadvantaged circumstances. Ironically, we now find that middle class families face the biggest challenge since most are now ineligible under OSAP rules. The University of Toronto administration and students are calling on the province to modernize OSAP so that it will minimize the financial burden of middle-class Ontario families who are disadvantaged by the present system.

We are currently trying to communicate this message to both the federal and provincial governments at every possible opportunity. Additionally, I am delighted, if not a little surprised, to report that the university and our various student governments are seeing eye-to-eye on these matters and that we are working in concert on the issue of student-aid reform.

Perhaps the most effective and obvious way of seeing how the University of Toronto sees itself and its aspirations is to watch and listen to us as we engage in our latest round of academic planning.

This process is coincident with the arrival of Shirley Neuman as the University of Toronto's new Provost. A stellar academic who grew up on a farm in northern Alberta, Professor Neuman has returned to Canada after three years as Dean of the College of Literature, Science and the Arts at the University of Michigan. Under her leadership we have launched a very exciting academic planning exercise which will provide a pathway for the university to the highest levels. We are currently in the first stage of the consultation process and, if you would like to participate, I invited you to visit our Web site at www.utoronto.ca. You can read the planning guidelines, or Green Papers, and even let us know what you think.

It is at this time, after extensive consultation with our many stakeholders (including faculty, staff, students, and alumni), that we, as an academic community, have the chance to ask ourselves where we want to be 10 years from now and how do we get there.

In fact, your feedback and your engagement are crucial. Our biggest challenge in the current climate is to secure the commitment of the public, governments and industry to our public research universities so that everyone can truly appreciate their importance as contributors to education and cultural knowledge.

Our ultimate goal in securing your engagement is to help you re-imagine Canada's intellectual and knowledge-producing landscape, one which will be dotted with a handful of truly great universities, each of which will attract the interest of all deserving students regardless of their financial means. Such universities will allow our brightest students and best faculty to seek the highest-quality education right here in our own country. Such universities will also attract the best minds from abroad to study, teach and pursue research in Canada to the benefit of all Canadians. Such universities, and the complete educational experience that they will offer, will allow our citizens to achieve the university education that Canadians deserve.

I want to thank the Empire Club and all of you for allowing me to speak today. Good afternoon.

The appreciation of the meeting was expressed by The Hon. Henry N.R. Jackman, OC, KSt.J, OONT. CD, LLD, Chairman and President, E-L Financial Corporation Ltd., Former Lieutenant-Governor of Ontario, Chancellor, University of Toronto, Past President and Honorary Chairman, The Empire Club of Canada.

Edward P. Badovinac, KH, CET, OLJ, Immediate Past Chairman, Good Neighbours' Club and Director, The Empire Club of Canada and Paul M. Tellier, President and CEO, Canadian National Railway.

February 12, 2003

Ken Chenault

Chairman and CEO, American Express

LEADERSHIP AT AMERICAN EXPRESS IN UNCERTAIN TIMES

Chairman: **Ann Curran**
President, The Empire Club of Canada

Head Table Guests

Doug Morris, President, Morris Glass and Director, The Empire Club of Canada; Kate Querengesser, OAC Student, North Toronto Collegiate Institute; Tim Elliott, President, Elliott Resource Services; Charles S. Coffey, Executive Vice-President, Government and Community Affairs, RBC Financial Group and Director, The Empire Club of Canada; Dennis Stief, CEO, Ogilvy & Mather Canada; John Hunkin, Chairman and CEO, CIBC; Beth Horowitz, President and General Manager, Amex Canada Inc.; Tony Comper, Chairman and CEO, BMO Financial Group; Reverend Dr. John S. Niles, Senior Minister, Victoria Park United Church, President, Passion@Work and Director, The Empire Club of Canada; Gerald McCaughey, Vice-Chairman—Wealth Management, CIBC; Harry T. Seymour, Executive Vice-President, GBC Asset Management Inc. and Past President, The Empire Club of Canada; Michael Foulkes, Executive Vice-President, TD Bank Financial Group; Rick Waugh, President, Scotiabank; and John Scullion, President and CEO, The Loyalty Group.

Introduction by Ann Curran

Last week the Empire Club officially launched its new Web site and Web services. As a result, you can now go on-line and source the over 3,000 speeches the club has been recording since 1903.

It is fascinating what you can find. For example I went on-line and came across a most interesting address that was delivered to this club over 20 years ago. Let me quote the speaker's opening remarks: "Canada and the United States have long enjoyed a unique relationship. We share one of the world's longest and most peaceful borders. We are each other's largest trading and travel partner. From time to time there may be strains in our relationship, but they are momentary in the sweep of history. Our economic future and defence are linked, and I am confident we will continue to work closely together—in a spirit of mutual respect—for many decades to come."

A famous politician you might think or a great historian? They were actually the opening remarks of James D. Robertson III, Chairman, American Express Company, in 1981. He gave an insightful and passionate speech about "humanizing technology—a business challenge."

Today we have another man who is not afraid of addressing the big issues facing business—Ken Chenault.

Mr. Chenault joined American Express in 1981 as Director of Strategic Planning. In 1989, he was named President of the Consumer Card Group. In 1993, Mr. Chenault was promoted to President of American Express Travel Related Services (TRS) in the United States, with responsibility for the Consumer Card Group, Consumer Financial Services, Travel Services Group and Establishment Services. He was named Vice-Chairman of American Express Company in January 1995, and he assumed additional responsibility for TRS International in April of that year.

In February 1997, he was named President and Chief Operating Officer. Recognized as a dynamic and inspirational business leader, Ken Chenault became Chairman and CEO of American Express Company in the spring of 2001.

By the end of that first year, Mr. Chenault, as did the leaders of many of the world's major corporations found himself facing what he describes as the business equivalent of a "perfect storm."

While we all have to manage through significant challenges during our careers, this is perhaps the first time that so many different events and conditions have hit at once—a slowdown in corporate spending and consumer nervousness, an airline and travel industry struggling for profitability, volatility in equity markets, political uncertainty and the continued threats of war and terrorism.

In his address to the Empire Club, Mr. Chenault will share some of the lessons he has learned over the last two years as the head of one of the world's most visible brand-name companies.

Specifically, he will outline his approach to managing in volatile times, with the emphasis on building flexibility into the business model, maintaining a focus on who you are as a company and his thoughts on leading people.

Mr. Chenault serves on the board of IBM and several non-profit organizations. In addition, he serves on the Dean's Advisory Board, Harvard Law School and is a member of the Business Council, the Business Roundtable, the Financial Services Forum and the Council on Foreign Relations.

He has received numerous awards from a wide variety of civic, social service and community organizations, as well as a number of honorary degrees.

Ladies and gentlemen I give you Ken Chenault.

Ken Chenault

Thank you. It is a pleasure for me to be here today.

Canada is very important to the American Express franchise, and I appreciate the insight I have gained in speaking to some of my tablemates and to others of you here today.

As business leaders, you understand quite well the challenges of managing a company in today's environment. The market conditions we currently face are clearly not for the faint of heart, and it is difficult to come up with an adjective to appropriately describe the times.

"Daunting," "volatile" and even "frightening" can apply on certain days, but the one that comes closest in a broader sense is "uncertain." Uncertain economic conditions. Uncertain equity markets. Uncertain political environment. Uncertain confidence in corporations.

While many of us have managed through one or two of these challenges at any point in our careers, this is the first time I remember all of these conditions hitting at once—converging into the business equivalent of a "perfect storm."

For American Express, in the fall of 2001 after September 11, we hit a particularly challenging time. On a year-to-date basis, the markets had fallen over 25 per cent, severely impacting our retail financial services business. Travel, particularly business travel, fell dramatically because of security and economic concerns, with our travel sales in the fourth quarter of 2001 declining by 40 per cent. Spending by consumers and businesses declined as economic conditions weakened and layoff announcements increased. As a result, our billings for the quarter declined by 6 per cent.

It was clearly not an easy time for us. But, while economic and market conditions haven't changed all that much, at American Express we've generally been able to manage through this environment and regain some of our business momentum.

Our 2002 earnings were announced a couple of weeks ago and the good news is we are seeing signs of growth. We increased the number of new cards added to our franchise, we signed new corporate accounts and we launched new products and partners.

On an absolute basis we did not grow revenues as much as we would like, but on a relative basis against our peers we did well. And in spite of the short-term environment we continued to invest. We made the decision that we could not sacrifice the moderate to long-term growth of the company in order to a meet a short-term goal. Our priority was to keep the organization looking forward.

While our recent performance has made the organization more optimistic, our turnaround over the last 18 months has not been easy. At American Express we don't have all the answers, but we've been learning some lessons over this time that may be relevant to you and your businesses.

These lessons fall into several broad categories:

- First, maximizing the flexibility of our business model;
- Second, maintaining a focus on who we are as a company;
- And third, leading our people.

Let me start with flexibility.

When the economy is strong, it is easy for businesses to forget about weaker times and adapt to the good times. Double-digit revenue growth can make just about any manager appear brilliant. But the economy is cyclical. It always has been and it always will be.

Robust times eventually give way to periods of slower growth and even recession. While this is a basic market truth, at American Express, like at many companies, we allowed our business models to adapt too much to the good times of the mid to late '90s.

Over the last two years, our goal has been to make our business models more flexible, so that even with a slower economy and single-digit revenue growth, we could achieve our long-term earnings targets.

I don't know of any company that can deliver double-digit earnings growth indefinitely with a sustained downturn in their markets. But we wanted to build in enough flexibility to weather through a short-term period of weakness and still deliver the financial returns our investors expect.

We have done this in a number of ways, but I'll discuss three of them today—reengineering, business partnerships, and continuity planning.

Let me start with reengineering.

In the past at American Express, as at many companies, we oftentimes were too reactive to economic conditions. We would build up our expense base in good times, only to have to scale back when things were tough.

Now, our focus has changed. Reengineering is not viewed as a one-time event. Rather, it is now an embedded element of how we think about our business. Today, reengineering is a continual process for us, not a project.

As we worked to improve the flexibility of our business model, our objective was not just to reduce costs. We also looked to expand our revenue streams, improve the quality of our processes, and increase customer satisfaction.

One of the initiatives that met all of these objectives involved the Internet. While many companies moved away from this technology after the Internet boom of the '90s and the bust of 2000, I believe that is a mistake. The net offers many advantages to just about any industry.

At American Express we've used the net across each of our businesses. By moving service transactions on-line we are able to meet our customers' needs faster, cheaper and with greater accuracy. We now have 80 per cent of our card servicing functions on-line—from the simple, such as address changes, to the more complex, such as requesting an increase to a card line of credit and our travel business is converting clients from the phone to the Web on a daily basis.

Customers have clearly embraced this alternative, and our on-line volumes are growing. Here in Canada, for example:

- On-line card servicing grew by almost 50 per cent last year;
- Fifteen per cent of our new cards were acquired on-line;
- Virtually our entire merchant base has some aspect of their servicing done on-line; and
- At a time when travel volumes were generally weak, our on-line transactions grew by over 200 per cent.

In addition to meeting customer needs, the Internet also provides economic advantages. Servicing a card customer on-line is 90-per-cent cheaper than providing the same service through a telephone rep. And, even though we earn less revenue from an Internet travel transaction, our profitability actually improves by 40 per cent.

As I said, the Internet is here to stay. And we intend to take full advantage of it.

We've also increased our flexibility by leveraging our global customer service capabilities. For example, today's telecom networks allow companies to optimize customer servicing almost anywhere in the world.

At American Express our telephone volumes can be shifted as needed to take advantage of capacity and capabilities across our service network. To that end, we now service some Japanese cardmembers out of Australia, European cardmembers in Madrid and U.S. cardmembers and financial-service clients in India.

Canada also figures prominently in this strategy for us. Last year, for example, our Canadian card centre serviced over 9 million calls from U.S. cardmembers, while corporate travel counsellors here in Canada provided support to a number of U.S.-based accounts such as PriceWaterhouseCoopers and Xerox.

This approach has improved our economics, while allowing us to tap into well-educated work forces around the world. And we're certainly not alone in recognizing this opportunity, as many airlines, financial-services and direct-marketing companies are following a similar path.

The second element of business-model flexibility I want to mention today concerns business partners.

An old way of thinking at American Express was that we had to control every aspect of every transaction and that no other company could do things better than we could.

As technologies and businesses evolved, however, and as we became less insular as a company, we abandoned that perspective. Instead we now actively seek out business partners whose capabilities can complement, or in certain cases, replace our own.

At one end of this spectrum is outsourcing, which we use for some aspects of servicing and processing that do not represent competitive advantages for us. For example, by outsourcing our data-processing operations to IBM we are able to more effectively variable-ize our cost base, while at the same time leveraging IBM's technical expertise and infrastructure.

Another way we've gained flexibility through partners is to find companies with common customer profiles and values, and then jointly develop business propositions that can generate profitable growth for both of us.

Costco, Delta Airlines, and Starwood Hotels are some of the partners we've worked with in this strategy in the U.S., but we've also taken this approach around the world.

Two relatively recent partnerships have been developed here in Canada. Last January CIBC and American Express launched three different American Express products for consumers and small businesses—products that offer strong value propositions, and which capitalize on the strengths and capabilities of both of our brands. We also recently announced a distribution arrangement with Toronto Dominion to offer American Express commercial cards and other services to some of their commercial banking clients.

The days of any one company trying to do everything by itself are over. The right partners, stacked against the right opportunities, can add significant flexibility to your products and services, distribution channels, and cost base.

A final element related to flexibility—and one which took on critical importance for our company 18 months ago—is business-continuity planning.

9/11 made it horrifyingly real for many businesses that the unthinkable could actually happen. Across American Express we were significantly impacted by these events:

- First and foremost we had 4,000 employees based in Lower Manhattan, and lost 11 colleagues in the attacks.
- Our headquarters building, directly across the street from the Trade Center, sustained significant damage and could not be occupied for nine months.
- In the immediate aftermath of the attacks, disruption to telephone service made it difficult to communicate with employees and many New York City-based customers.

As contingency planning has always been a priority for us, we didn't have to start from scratch. While, clearly, we could never have been fully prepared for 9/11, responsibilities and priorities were generally understood. And, since service is in our corporate DNA and embedded throughout our culture, we didn't need to issue directives from headquarters to our front-line employees. People knew what to do.

Within hours we had people across the company and around the world:

- Accounting for all of our New York City employees;
- Tracking down alternate office space and equipment; and very importantly
- Helping our customers cope with events—be it by chartering buses to get them home, or by increasing card credit lines and waiving fees.

Because we had continuity plans in place—plans that were continually reviewed, and which didn't just fill a bookshelf—we had the flexibility to manage our businesses through a very difficult period.

Adding flexibility to our business models required substantial, and sometimes painful, change across the organization. But what was also important about our actions over the last 18 months was what they didn't represent. They didn't represent a change to our corporate vision or strategy. We made changes to our business models, not to the direction or identity of the company.

During uncertain times, such as those we've faced over the last 18 months, it is easy for organizations and, of course, people to become distracted. During these periods, I believe the most critical priority for any manager is to focus on what you can control within your business. You need to be aware of the environment, of course, but not be held hostage by it. That task is made simpler when a company's corporate identity is both strongly grounded and well understood by its employees.

Difficult times require a greater sense of urgency, a greater attention to the short term. Companies have a lot of tactical decisions to make. Therefore, the fewer long-term, strategic decisions a company has to deal with during these times, the better.

Because we have a strong corporate culture at American Express—an established vision, strategy and value system—we had an easier time than a number of other companies. We didn't have to struggle with basic questions, such as:

- What businesses are we in?
- How do we want to be positioned with our customers?
- How do we want to conduct ourselves?

We already knew what businesses we were in—global payments and retail financial services.

We knew how we wanted to be positioned—as a provider of premium value.

And we knew how we needed to conduct ourselves—in accordance with our corporate values, and therefore in accordance with the qualities inherent in our brand: trust, integrity, service, and quality.

As we all know, because of recent allegations of corporate fraud, the scrutiny of corporate conduct has intensified, and justifiably so. If companies and managers are found to have broken the law, they must be held accountable. And, if the crime warrants it, people should go to jail. They have breached the faith of their shareholders, as well as that of their employees and customers.

I am very supportive of regulatory actions that seek to restore the public's confidence in corporations. But the foundation for corporate credibility resides within the values of a company and its leaders.

That brings me to the final important element of how we dealt with the last 18 months—the leadership provided to our employees by the managers of our company.

There are some outstanding leaders in this room, leaders I've been privileged to work with over the years. For many of you, I'm sure I am preaching to the choir. Because, as you know, while strong leadership is important in good times, it is a deal-breaker during challenging times.

I have always liked a quote attributed to Napoleon, who said that the role of a leader is to "define reality and give hope." During tough times, when a company's performance may become weaker, employees must always be told the truth about the situation. But they should also have some basis for optimism, a belief that things can get better.

There are a number of behaviours I believe leaders need to exhibit during times of uncertainty; behaviours that I looked for across our own leadership team.

First is integrity.

This is the most important behaviour, the one that is non-negotiable. Integrity is the foundation for trust, without which leadership fails.

Second is a concern for people.

In order to implement our business-model changes, leaders across our organization had to make decisions that were painful for individual employees. Our focus throughout this time was to try to have employees understand the reason behind our decisions, and also feel that they had been treated with respect and compassion. We didn't do this perfectly every time, but for the most part our employees and former employees remained supportive.

And this belief is not just based on anecdotes. We are fortunate to have some numbers to backup our perspective. Our 2002 internal employee survey, which we conduct annually, showed improvements in employee satisfaction for the 7th year in a row. In the recent Fortune Survey on Best Companies to Work For in the U.S., our ranking moved from #91 to #36, exceeding our prior best of #77 in 2000.

Given the challenges we faced and the goals we wanted to accomplish, it was essential to keep our work force motivated—and particularly for us at American Express given the strong association between service and our brand.

Over the last two years:

- Our organization has become tougher;
- Our executional abilities have improved; and
- Our employees have become more resilient, while generally remaining very positive about their work and the company.

The final behaviour our leaders exhibited relates to the "give hope" part of Napoleon's definition; they displayed confidence in their people, and confidence in the company's strategies and tactics.

Leaders in an organization must be optimistic about a company's future if they expect to be able to motivate employees toward that future. During volatile times, leaders are more closely scrutinized. Faced with uncertainty, employees look for constancy from their leaders and for something to latch onto.

If people believe their leaders are following the right agenda, with the right intentions, they will tolerate a few mistakes. But if people believe their leaders don't get it, don't understand what they are going through, don't demonstrate decisiveness and compassion, it will be difficult, if not impossible, to later recapture their trust and loyalty.

As I said earlier, it is easy to manage in good times. But leadership reputations are made or lost in times of crisis and challenge. The stakes become incredibly high. Those who fail to demonstrate the quality of leadership needed at this time will, and should, lose the privilege to lead.

In looking back over the last year and a half it is clear that we didn't have all of the answers, that we didn't do everything perfectly. And I am certainly not declaring victory.

Difficult times remain ahead of all of us. Economies and markets remain uncertain, and we are currently facing the possibility of war.

But I am quite proud of our organization and how our people have responded to events and conditions. They continually rose to the challenges we faced during the last 18 months.

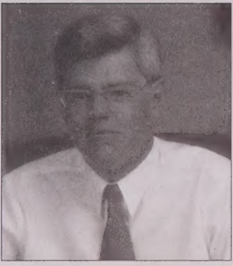
I believe uncertainty in the business environment will continue. This uncertainty is not the result of a single factor; therefore there is no single answer, no elegant solution that will deliver a quick turnaround.

A time of volatility, however, is not a time to freeze. As one of my colleagues is fond of saying, a leader—a company—can't "hunker in the bunker."

Over the next 18 months at American Express, we will move forward as we have over the last 18 months. We will focus on what we can control—serving our customers, investing for the long-term (here in Canada and across the globe) and competing on an honourable basis.

Thank you.

The appreciation of the meeting was expressed by Reverend Dr. John S. Niles, Senior Minister, Victoria Park United Church, President, Passion@Work and Director, The Empire Club of Canada.



February 20, 2003

A joint meeting of The Empire Club of Canada and The Canadian Club of Toronto

The Hon. John Manley

Deputy Prime Minister and Minister of Finance

THE FEDERAL BUDGET

Co-Chairman: **Nancy Lockhart**
President, The Canadian Club of Toronto

Co-Chairman: **Ann Curran**
President, The Empire Club of Canada

Head Table Guests

Tom Milroy, Vice-Chairman, Global Head, Investment and Corporate Banking, BMO Nesbitt Burns Inc.; Doug McGregor, Managing Director and Head of Global Investment Banking, RBC Capital Markets; Alex Johnston, Associate, Goodmans LLP; Charles S. Coffey, Executive Vice-President, Government and Community Affairs, RBC Financial Group and Director, The Empire Club of Canada; Tom Rahilly, Vice-Chairman, RBC Capital Markets; Senator David P. Smith, PC, QC, Counsel, Fraser Milner Casgrain LLP; Karen Maidment, Executive Vice-President and CFO, BMO Financial Group; Michael MacMillan, Chairman and CEO, Alliance Atlantis Communications and Director, The Canadian Club of Toronto; Drew Fagan, Editorial Board Editor, The Globe and Mail; Calvin S. Goldman, QC, Partner, Blake, Cassels & Graydon LLP; and Gordon K. McIvor, Vice-President, Public and Government Affairs, Canada Lands Co. Ltd. and Immediate Past President, The Canadian Club of Toronto.

Introduction by Nancy Lockhart

Tuesday marked the first time since 1994 that a federal budget in this country was delivered by someone other than Paul Martin. And John Manley was operating in a very different climate than the one facing his predecessor nearly 10 years ago.

Whether it's fair or not, the early budgets of Paul Martin are widely seen to have been the means to a single end: slaying this country's deficit, which in 1994 stood at $37 billion and in that they were successful.

When John Manley rose in the House on Tuesday, it was to tell the people of Canada what he proposed to do with a $9.4-billion surplus.

Now you might think that would make his job much easier. Who, after all, would not prefer to be working with a surplus than a deficit?

Well, maybe, but you couldn't pick up a newspaper in the days leading up to Tuesday without being struck by the extraordinary expectations and anticipated disappointments, that accompanied this budget.

"Our future rides on this budget" screamed one headline in a Monday paper. Underneath it, one pessimistic columnist asked: "Will the last fiscal conservative please turn out the lights."

John Manley must have known going in that the Finance portfolio is the one cabinet position where you are absolutely guaranteed not to be able to please everybody.

The gap between people who want more government spending and those who want less is simply too wide to bridge in a single document.

On the other hand, John Manley doesn't seem to be someone who has ever backed away from challenges.

He was born and raised in Ottawa, graduated with a Bachelor of Arts degree from Carleton University and before entering politics he practiced business and tax law. He was also Chairman of the Ottawa-Carleton Board of Trade for two years.

He was elected to Parliament in 1988 and for the next five years in Opposition served as critic for many portfolios.

With the Liberal victory in 1993, Manley entered cabinet as the Minister of Industry. It was in this capacity that he first came to the attention of many Canadians, as he worked to ensure that every school and library in the country was connected to the Internet.

Manley was moved to Foreign Affairs in 2000 and was front and centre in co-ordinating our response to the shocking terrorist attacks in New York a year later. For that he was named Canada's "Newsmaker of the Year" by Time Magazine.

John Manley was named Deputy Prime Minister in January of last year and six months later was appointed to the Finance portfolio.

It's been a long, successful political run since 1988 but I should also mention that the man is a good runner. He has three marathons under his belt.

On Tuesday John Manley delivered his first budget and he seemed to come down squarely on the side of more government spending. More than $6 billion of the surplus went into a wide range of programs, including health, defence, and housing for the homeless.

He is here this morning to talk to us about all that.

Ladies and gentlemen, please welcome to our podium Canada's Finance Minister, John Manley.

John Manley

Good morning everyone and let me thank you all for coming out for this early event.

It is a testimonial to the importance of both the Empire Club and the Canadian Club that you consistently succeed in drawing such an interesting and compelling series of speakers. This is where the big ideas about our present and our future are presented. Of course, I'd also like to think my topic, our new federal budget, plays a role in getting a crowd like this out at this hour of the morning.

As you know, long before I rose in the House on Tuesday, there were stories galore speculating on what I would say, what I would announce. Some even turned out to be true. But despite the headlines the real story on budget day was not the list of decisions.

The real story was this. Canada is taking charge of its future. We are no longer forced to react to fiscal circumstances. We capitalize on them now. We are no longer forced to focus on the burdens of yesterday. We make strategic choices that build the future that Canadians want in a rapidly changing world. Those are fundamentally important new directions for our government and for our country.

Months of pre-budget consultations and of meeting with Canadians in their own cities and communities in every part of our country told me what Canadians wanted to see. They wanted to see intelligent choices that enable Canadians to thrive in a new world of opportunities and challenges. And that is precisely what our budget delivered.

We chose carefully. We put Canadians' money into the priorities that they identified. And above all, we only used the money we reliably believe we will have. No deficits, no unrealistic forecasts, no throwing caution to the winds. Just wise investments in the highest priorities, responding to the interests of Canadians in building a society and economy that will succeed for all of us.

An Effective Fiscal Policy

Let me start with the economy and our fiscal choices on Tuesday. I'm not starting here because these are sealed off from the rest of our choices, far from it.

I'm starting with our fiscal choices because they are essential to so much of the rest of our strategy. I'm starting here because our planning was based on some impressive strengths—560,000 new jobs in 2002, our best performance ever; 3.3-per-cent economic growth over the same year, a rate that is the envy of all our G-7 partners; six consecutive balanced budgets; more than $47 billion taken off Canada's debt.

The list goes on and on. And our challenge is to make that list grow even more. But how? Which choices get the best results? One step was frankly, quite simple.

I announced that we would follow through with the rest of our $100-billion tax-cut package. I said that we will continue to balance our books and do it in a way that gives us the capacity to keep reducing public debt. And Canadians everywhere agree that this is our only way forward.

But in talking with Canadians, I heard many proposals that could enable Canada to do even better. I heard ideas of how we can encourage the savings, investments and expanded capital pools that will make Canada even more of a magnet for growth. And we are doing just that.

If we want to spur savings, it makes sense to raise RRSP limits. If we want to strengthen the financial base for small businesses, it makes sense to raise the income ceiling for the small-business tax rate, which we've now taken to $300,000. If we want to create jobs, then it makes sense to reduce EI premiums and to restructure how we set those premiums. If we want to support growth in our regions, it makes sense to reduce resource-income taxation rates. And if we want to build jobs and attract investment in business of all sizes, it makes sense to eliminate the federal capital tax.

Each of these are key changes to keep a strong economy vibrant even in these uncertain times internationally. We have the confidence in our economy that we can take these tax-cutting steps and keep our books balanced, things that many of our trading partners cannot say, I should add.

Social Investments That Generate Economic Benefits

A government can get the numbers right and still get the totals wrong for Canadians.

Intelligent choices that enable Canadians to thrive have to be based on what makes for successful countries and successful communities. We know why some cities, some regions and some countries do better than others in terms of quality of life, in all its dimensions.

Social investments are a big part of the reason. Traditionally, social spending has been seen as a simple and simplistic question of left and right; Bay Street vs. Main Street. Some people are still very clearly stuck there. You heard some of the usual suspects after the budget the other day.

On the one hand we have a few who'd prefer a libertarian loonyland, where government is as relevant as a traffic cop at a demolition derby. To them it's "sink, swim, whatever." On the other we heard from people who have never seen a social program they didn't like.

I have news for both groups. Results are an infinitely better litmus test for our ideas than ideology. And our success in getting so much, so right, has enabled us to generate the results for even better choices when it comes to programs and services that reach Canadians.

Effective investments in learning and literacy ensure that Canadians are in the driver's seat for a knowledge-based economy. Effective investments in health mean a productive, secure people. Effective investments can open doors for all of Canada's children. Effective investments bring us a healthy environment. Effective investments support a flourishing culture. Effective investments build and strengthen the infrastructure of growing, thriving communities.

Each of these, and more, is in our budget because they mean results for a stronger society and a stronger economy. Because in the long run, Bay Street can only be as healthy as Main Street is too, in every sense.

The renewal of Canada's health-care system received much deserved focus in our budget but there is much more to talk about. Let me start with our commitments to Canada's cities and communities of all sizes.

I know that many people asked where the money for our cities was on Tuesday afternoon. I understand the question because I understand how important our cities are to Canada. The question for us was what will do the most to make our cities into more healthy, more vibrant communities that offer the most attractive quality of life for everyone in them? What will enable cities to become magnets for the innovative, creative people who lead the way in our knowledge economy? What will help them function in the most basic ways that matter to people—

transportation-wise, environmentally and culturally? What can we do to help people on the margins contribute to our success, by building their own success along the way? Our budget is answering those questions by focusing on some key challenges. We have just allocated $3 billion to infrastructure, that will mean critical support for the roads, sewers and public facilities that our cities depend on.

I have heard a lot from Canada's mayors since Tuesday. Not surprisingly, they wanted more in the budget. But they did get more than they accounted for. More importantly, Canadians got more.

What they got was a long-term, 10-year commitment to renewing Canada's infrastructure. That commitment is there to stay. In money terms, they got a substantial downpayment on that commitment—$3 billion—and this on top of the $5 billion dedicated since 2000.

And there will be many more federal budgets where we can, and most assuredly will, build further on this commitment. Moreover, these important federal investments have further aided our cities by requiring new provincial investment in infrastructure, and by leveraging significant private investment as well.

Moreover, answering the needs of our cities is not just about investments in bricks and mortar. It is also about investments in the lives of people and especially the people who find themselves at the margins of our communities. It is about our investment in health care. It is about our action on child poverty. It is about the $1 billion we have invested in affordable housing. It is about bringing down the barriers for low-income families to take, and to keep, good jobs. So measures such as support for childcare and a larger child tax benefit, including support for families of kids who have disabilities are there for those moms and dads and for their kids.

Another social investment is support for innovation and learning. As you know, I spent the better part of seven years as Minister of Industry and during my time in that portfolio, I was proud that we moved to an extremely strategic approach to our mandate. This city benefited when institutions such as the University of Toronto, York and Ryerson became stronger settings for research and learning.

We supported excellence in university research with actions such as the Canada Foundation for Innovation. We supported new approaches to partnerships for innovation. We linked every school and library to the Internet so that everyone would have access to today's tools for learning. More broadly, our government added to this with investments in education in many ways. That was a good start. And now it's time to take those achievements further.

This is why we have just created the Canada Graduate Scholarships which will increase the number of scholarships offered through federal government funding each year to somewhere near 10,000.

It's why we have made convention refugees in Canada, who are starting to build new lives in our communities, now eligible for student aid. And it is why we are adding to our efforts to help newcomers to Toronto and other communities across Canada to apply their skills and talent to productive enterprise as quickly as possible.

We're doing it through advanced language training for people who need to learn the language of skilled workplaces. We're doing it through measures that will make it easier for tradespeople and professionals, such as nurses or engineers, to get their expertise recognized.

These steps will build stronger cities that are magnets that don't just receive skilled people from around the globe but that actually welcome their contributions.

That same commitment to stronger cities that draws on the talents of all their citizens shows across the many other decisions that I announced the other day for example, to tackle the issues surrounding the needs of

Aboriginal Canadians and people with disabilities. It also shows in specific commitments such as support for the Medical and Related Sciences Project here in Toronto.

With all these social investments, our objective is to generate the best results for all Canadians by focusing on their needs and the needs of the communities where they live.

More Accountable, Transparent and Responsive Government

For me, one of the most important elements in the budget was one that did not get the same headlines as the rest—our decision to respond to the demand from Canadians for more accountability in spending.

At the heart of our response is a commitment to ongoing review of all federal programs. And a commitment to move a billion dollars a year from existing programs and services to areas that matter the most to Canadians. The reason for this is straightforward. A program or initiative that seemed like a good idea a few years ago may no longer be quite good enough to justify continued support, given everything else that Canadians want us to do.

Canadians understand this. Businesses certainly understand it, too. And from the feedback since Tuesday, I have seen that Bay Street and Main Street are in total agreement on the need to look to better use of existing spending before we put new dollars to work.

Our commitment to constant improvement takes many forms. On budget day, it showed when we cut the Air Travellers Security Charge by over 40 per cent. It showed when we moved funds back into some core government services such as our Coast Guard that were clearly below what was needed.

Canada's International Commitments

That same determination to look at where we are now and where we want Canada to be is important in one other role for government—ensuring Canada's international presence reflects our values and our interests.

The months since September 11, 2001 have seen a major readjustment of Canada's international environment. We have built an open economy that depends on the easy movement of goods and people in North America. We have entered into a more uncertain world where threats to our security come in more forms and from more sources than we used to believe.

We cannot take our international role and potential for granted. What we do at home shapes our influence abroad. The role that we project internationally reflects our sense of who we are, and what we want for the rest of the human race. So, just as our social and economic policies are ultimately intertwined, our domestic and foreign agendas are as well.

In budget terms that led to thought about what Canada can do for the world in this new environment. We need to define what Canada needs to do for its own long-term interests in that same environment.

That process is underway across our government at the policy level. It is an essential element in this year's budget with its $1.6 billion in new funding for the Canadian Forces over two years, on top of an immediate $270 million for this fiscal year.

We are putting new resources into our diplomatic and trade presence in the United States where Canada must be visible, active and connected. We are implementing our 30-point Smart Border Action Plan, so that our vital cross-border trade flows more smoothly in the interests of both partners.

The same commitment to a more just, more stable, and more economically strong world is evident in our work with Africans, through support for the New Partnership for Africa. It is behind our commitment to an 8-per-cent increase in international assistance.

Each of these represents an investment in a more stable and secure world. Each represents proof that Canada's interests are best-served when we also address the interests of the world.

Conclusion

Since the 1980s, our debates in Canada have been about challenges. Unemployment. Deficits. Competitiveness. Unity. Marginalization. Now, a new and different note is emerging. Optimism.

Yes, the world is an uncertain place today. Yes, our country faces challenges of many kinds. Yes, the business cycle has not been banished from our world. But we are now in a position to talk about opportunities in a way we have not been for many years. We are in a position to make intelligent choices that enable all Canadians, not just some, to thrive in this new world of opportunities and challenges.

We are in a position to build on Canada's impressive base of results over the past decade and look ahead. We are in a position to deal with whatever comes in our global environment with the resources and confidence that come from real control of our fiscal situation. In 2003, Bay Street is Main Street.

Everyone in this country has a stake in answers that work now. The whole world has a stake in our getting it right. On budget day, we moved firmly to address challenges and opportunities. We took steps that will translate into improvements that will touch the lives of all Canadians. We took steps that will make our country the showcase it deserves to be.

Thank you.

The appreciation of the meeting was expressed by Ann Curran, President, The Empire Club of Canada and Director, Corporate Development International.

February 27, 2003

Linda Hasenfratz

President and CEO, Linamar Corporation

THE AUTO INDUSTRY FROM A SUPPLIER'S PERSPECTIVE

Chairman: **Ann Curran**
President, The Empire Club of Canada

Head Table Guests

Sharon Rudy, Vice-President, Spencer Stuart and Director, The Empire Club of Canada; Laurel Berkowitz, Grade 11 Student, North Toronto Collegiate Institute; The Reverend Dr. John S. Niles, Rector, Victoria Park United Church and Director, The Empire Club of Canada; Julie K. Hannaford, Partner, Borden Ladner Gervais LLP and Past President, The Empire Club of Canada; Tony Comper, Chairman and CEO, BMO Financial Group; Malcolm J. MacKillop, Partner, Borden Ladner Gervais LLP and Director, The Empire Club of Canada; Istvan Emri, Consul General, Hungary, Hungarian Consulate General, Toronto; William Harrison, President and CEO, Lift Technologies and Board Director, Linamar Corporation; and Randall Scott Echlin, Partner and National Labour and Employment Chair, Borden Ladner Gervais LLP.

Introduction by John Koopman

The great American poet and philosopher, Henry David Thoreau, once said that "things do not change, but we do." The essence of the motor car and internal combustion engine really has not changed much in 100 years but the way our environmentalists and economists think about cars has changed dramatically.

In contemporary Canada the environmentalists tell us the automobile is the bane of the modern world and economists tell us it is at the core of the modern economy. Paradoxically in 1911 it was the environmentalists that supported the growth of the motor car and it was the economists who were skeptical about the motor car's impact.

In July 1911 a scorching searing heat wave hit New York City. In that sultry summer as New York's women glowed and the city's men perspired, its horses sweat. And in that single city, in that single month of July 1911, 1,200 horses stopped sweating and dropped dead of heat exposure on the streets of New York. The equine remains were not always removed with alacrity.

In that steaming summer of 1911, the environmental authorities of the day hailed the motor car as the clean modern-age solution to the urban problem of rancid rotting horse carcasses and the stench of disease breeding and fly-infested manure piles created by the horses that continued to sweat. With the advent of the motor car, the environmentalists said no more would our cities be plagued with insects, and our homes scarred with kilometres of sticky flypaper, insect traps and foul-smelling bug sprays.

Our friends in the dismal science were worried. The horse was an important part of the national economy. Each of the 25,000,000 horses in America at the turn of the century required 20 man-days of caring, grooming and feeding. The Chicago Tribune feared that a raft of professions from harness makers, to saddle-makers, buggy-whip manufacturers, carriage builders, livery-stable operators, blacksmiths, wheelwrights, hitching post manufacturers, and an army of street cleaners would all face imminent doom.

The environmentalists won. Horses have been banished to racing tracks and hobby farms. And we all drive motor cars, the environmentally cleanest form of transportation of any significance that mankind has yet invented.

Ironically in 1911, while the motor car was still battling the horse for primacy, there were 250 domestic motor-car companies in North America. Today the motor car dominates our economy but there are only three domestic manufacturers left and these three survive only at the very tail end of a complex web of hundreds of automobile parts, components and systems suppliers.

One of those suppliers is Linamar. Like so many of Canada's great organizations, an immigrant to this country founded Linamar. Thirty-seven years ago a Hungarian immigrant named Frank Hasenfratz started the company in his garage. Linamar has since grown to over $1.2 billion in sales and there is over $60 of Linamar content in every North American vehicle. It is apparently the only company in the world that produces every machined part used in a motor vehicle.

In 1990 Linda Hasenfratz joined the company as a machine operator. This machine operator subsequently held positions in quality assurance, engineering, production materials management and finally in the ultimate self-sacrifice, as manager of an accounting department. Perhaps this leader-as-servant thing has gone a bit too far. She also has a BSc and an MBA from Western. In 1999 she assumed the company's presidency, by then probably to her own regret, one of the best-trained executives in Canada.

Ladies and gentlemen, please join me in welcoming Ms. Linda Hasenfratz, the President and CEO of this great Canadian success story to the podium of The Empire Club of Canada.

Linda Hasenfratz

Good afternoon everyone and thank you John for your kind introduction.

It is certainly a pleasure for me to be here this afternoon to talk a little about the auto industry from a supplier's perspective.

I must say I thoroughly enjoyed hearing Dieter Zetsche speak here a month ago. It is inspiring to see the passion he and his team have instilled in Daimler's Chrysler division in person. I felt it was representative of a feeling gaining momentum in the auto industry just in the last two months—a feeling of passion and excitement rediscovered for this industry. It was inspiring to hear Mr. Zetsche talk about building vehicles that "stir the soul." He also talked about the powerful emotional connection people have for motor vehicles—something I believe is absolutely true. It is true of emotions of chic innovativeness around a BMW Mini to the pure adrenalin of stepping on the gas and feeling the response of a 5.7l 405 hp V8 engine in a Corvette.

Not long ago, I heard almost the same words uttered by one of Mr. Zetsche's competitors, GM's Bob Lutz. He and his boss Rick Wagoner have been making speeches all over Detroit about the North American automotive industry being on the verge of a "Golden Age." Lutz stated "the demand and attraction still exist. If the passion part of the equation has stagnated a bit—well, that's going to change." The guys in Detroit talking about passion and emotion? What's going on?

And then we have the auto shows—both here in Toronto right now and in Detroit a month ago. No fewer than 60 new products launched for North America—and some of the most exciting, interesting, passion-inspiring cars and trucks seen in many a year. In fact, we have never seen such an enormous display of attractive products. What is happening in the North American auto industry?

Well I think what is happening is a clear recognition that passion in product leads to prosperity. Having exciting products people want to drive means people are willing to pay a little more. It means you don't need to throw $3,000 at a car to sell it—something the Japanese and Germans are very aware of and something Detroit is waking up to. Lower incentives means more profitability for the automobile manufacturers, which in turn means less pressure on the suppliers to give back (and that's definitely a good thing).

I saw a study recently that showed the difference in dollars profit/vehicle for the Big Three and the so-called New American Manufacturers. In 2001, the Big-Three-profit per vehicle ranged from a low of a $2,000 loss/vehicle at Ford to a high of a $337 profit at GM. By the end of the first half of 2002, GM's profit had improved to $881/vehicle, and DCX was in the black as well.

In sharp contrast, the "new" Americans made between $1,200 and $1,700/vehicle in 2001 and more in 2002. So what is driving that $3,000/vehicle difference? The Japanese are seeing an advantage of lower sales incentives of approximately $1,500/vehicle or more; better labour productivity of $750/vehicle, lower retiree costs of $200/vehicle and less capital investment of $750/vehicle.

The Big Three are closing the gap on the labour side with major improvements in the hours utilized to build a vehicle at GM and DCX over the last five years and in quality performance of all three. Eventually time will take care of the retiree costs and new ideas are taking root around more flexible capital equipment strategies to address those variances.

The big difference remains the incentives. To understand the incentives you need to understand the position of GM with respect to its cost structure. In a downturn when most people look to decrease their work force to come in line with lower production levels, GM finds itself unable to do so. Labour contracts in place mean laid-off workers still earn 95 per cent of their net working wage. The net effect is that while labour is normally a variable cost, in GM's case it is almost a fixed cost.

Cutting back on production means massive losses, resulting in an absolute necessity to maintain top-line revenues. The losses of slowing production far outweigh the cost of throwing another $1,000 of incentives at the vehicles to keep sales levels up; so the decision of what to do is clear regardless of the fact that both alternatives result in lower profits per vehicle. Production and sales levels must be maintained.

The question of course is how to keep and grow the top line in a more sustainable way, which of course brings us back to focusing on creating products people want regardless of whether they get an incentive or not. That way production levels are sustained and profitability vastly enhanced.

Product and process innovation are also the key to prosperity for the supply base. This fact is something Linamar has become increasingly aware of over the past two years. To thrive in this competitive marketplace we must bring something unique to the table to differentiate us from our competitors. Something unique either in terms of our product design; or the way in which we produce it.

In the particular segment of the market in which we focus, that is precision-machined components and assemblies of such, huge growth opportunity exists as little of this work is currently outsourced to the supply base. In fact, only about 15–20 per cent of this work is actually done by the supply base. Linamar is currently manufacturing in one or another of our 32 global plants every machined component in the vehicle. This means we have the ultimate flexibility to grow in any direction the market turns.

What this means is we can be selective in terms of where to focus our product development dollars as we continue to compete on our overall technical strength, efficiency and broad range of capability in a growing market segment.

Product and process development are two absolutely critical elements in our strategic plan. They are elements our groups report progress on on a quarterly basis through a technical roadmap. The technical roadmap identifies for our core components what process innovations are being developed, whether they be improvements on an existing process or paradigm shift in how to produce a component. For example, process development done in the past 18 months on one operation of a transmission component being manufactured in several plants has resulted in capital costs being cut by 50 per cent from former levels and consumable tooling costs by 80 per cent for that operation.

We are also investigating unique technology completely unlike traditional methods by which a particular engine component can be manufactured for 20 to 30-percent lower cost than the technically comparable part. These types of projects mean we can offer our customers better costs and superior technologies to help them differentiate their products.

Product development is also tracked on our technical roadmap, whether it be by changing the metallurgy of a component or by combining multiple components into a single part. We have been quite successful in the latter. In one example we designed a casting utilizing a different type of casting process, which took the place of three separate components, saving our customer millions of dollars each year.

At Linamar we are trying to be innovative in the ways we run our business as well as our products and manufacturing processes. Three years ago, in an effort to ensure we are keeping existing programs at the leading edge of processing effectiveness, we instigated our successful CAT or Cost Attack Team, process. CAT was born out of a discussion in which my senior team, myself and the founder of our company, my father Frank Hasenfratz, were reflecting on how the combination of all our knowledge could benefit our plants in improving costs. We took the idea and developed a very detailed process by which a team of experts could review and brainstorm inputs for every cost driver imaginable in a program from purchasing to logistics to machine programming and tooling.

The results have been fantastic, with typically 8 to 10-per-cent cost improvements identified in every review. The program has been a great success, not just in reducing costs but also as a learning experience for everyone involved.

Similarly successful has been our innovative Technical Review Board (TRB) process. I was concerned by situations in which enthusiastic young engineers requesting major capital expenditures approval were de-motivated when they discovered, after much work done researching and pricing equipment that the process they were proposing was perhaps not the best option.

My team and I came up with the idea of doing a tech review with expert technical advisors from various Linamar plants familiar with the products being processed at the outset of a program's planning. We brainstorm the very best way to process the part, discuss optimal types of equipment and analyze the resultant project Internal Rate of Return. Once fully optimized, the team is authorized to research and purchase equipment in accordance with the plan and budget set. The process gives maximum accountability and authority to our plant teams while ensuring our company-wide pool of technical knowledge kicks the program off with the very best plan we can. It also guarantees that targeted Return on Investment goals are met on a project-by-project basis.

Another area we have created an innovative system in is in our goal setting and performance-measurement systems.

An issue that came to light shortly after my arrival at the corporate office was the need for a common measurement and goal system, which everyone could understand and strive for.

We were having our regular weekly management meeting and began discussing the performance of various plants. Our CFO at the time, George Sims, noted an employee had commented to him recently that he could certainly match the quality performance of a particular plant, but it would be to the detriment of his financial performance. We all thought this fellow was crazy as the plant he cited not only was one of our best performers in quality but also financially. It made us realize he made the statement because he did not know that this plant should be a benchmark in many areas. We decided we needed a system which would provide our plants not just with goals to strive towards but a picture of who was the best in key performance areas.

Our corporate philosophy of balancing customer, employee and financial satisfaction symbolized by a three-legged Stepping Stool seemed a natural place to start. We took this philosophy of balancing customer, employee and financial satisfaction and endeavoured to identify measurables, which we felt defined satisfaction for each of those stakeholders. We assigned ranges of performance for each, colour coded green for acceptable, yellow for fair and red for unacceptable. A scoring system was applied yielding a potential score of 15 points for each leg.

Each month, every plant worldwide reports on their performance, yielding a report card that at a glance identifies areas of concern, both by stakeholders and by indicators. Scores are compiled and reports generated showing how all plants rank against each other both by leg of our stool and on overall score. The ranking has created a great sense of competition among the plants as they strive to be number one (and not number 32!). As my COO, Jim Jarrell puts it: "If you're red, you're dead." Twice a year, we create an animated film depicting the competition as a truck race. The employees love it.

We also hold a Stepping Stool banquet once per year where we award top-performing plants. The Stepping Stool has become an essential part of our culture that emotionally ties people to strive for performance in the areas in which we wish to excel. We have a link between creating an emotion, driving performance and ultimately prosperity. Every employee receives a bonus for meeting Stepping Stool goals!

The key to all of this innovation leading to success is execution. We have done a CAT on every program in Linamar and are starting round two. TRBs are mandated for every new product; I won't spend $1 on new capital unless it is done. Product and process innovation are two elements in a six-point strategy plan. I report on our progress on all six elements quarterly to our Board. Strategic initiatives such as acquisitions are grouped around the six elements—if it doesn't fit, we should not be pursuing it. Customer, employee and investor presentations all detail the six elements and how our actions relate to such.

We have identified the six core values Linamar believes are the success factors in running our business; and the six core ideas or initiatives we need to make a reality to be a success (I guess six is our lucky number). Every employee's annual performance review and resultant increase is based on how well they exemplify our core values and their efforts to make our core initiatives a reality.

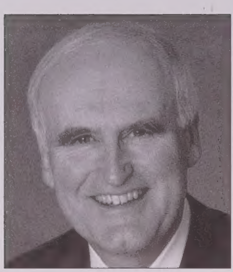
Our business plan is also centred on the core initiatives. Succession planning too is based on the values and ideas; if you don't exemplify the core values and show commitment to the core ideas you will not be promoted at Linamar.

Basically we have set a plan about what we want to achieve and how we can achieve it and deploy that in every element of running our business. We have worked hard to establish clear expectations and strategies, which we are now carefully assessing adherence to and consistently deploying across the company. I feel in 2003 we are now at the point of starting to see the fruits of our work in both top and bottom-line growth.

I am thrilled to hear Lutz and Wagoner talk about the impending "Golden Age" of the automotive industry because at Linamar we are truly ready to embrace it.

Thank you all for your attention.

The appreciation of the meeting was expressed by Tony Comper, Chairman and CEO, BMO Financial Group.



March 6, 2003

A. Charles Baillie

Chairman, TD Bank Financial Group

BUILDING THE CANADA WE WANT

Chairman: **Bart J. Mindszenthy**
2nd Vice-President,
The Empire Club of Canada

Head Table Guests

Heather Ferguson, Director, Development and Alumni Relations, Faculty of Nursing, University of Toronto and Director, The Empire Club of Canada; Jessica Dexter, OAC Student, Member of the Student Council, North Toronto Collegiate Institute; Reverend Dr. John S. Niles, Rector, Victoria Park United Church; Bill Laidlaw, President, Parkelaw Inc. and Immediate Past President, The Empire Club of Canada; Frances Lankin, President and CEO, United Way of Greater Toronto; The Hon. Jim Peterson, Member of Parliament, Willowdale; Catherine S. Swift, President, CEO and Chair of the Board, Canadian Federation of Independent Business and Director, The Empire Club of Canada; Elyse Allan, President and CEO, Toronto Board of Trade; David Pecaut, President and CEO, iFormation Group; and Mathew Teitelbaum, Director and CEO, Art Gallery of Ontario.

Introduction by Bart Mindszenthy

It's "A. Charles Baillie" on the formal notices, but it's Charlie Baillie to his associates and friends. And let the record show that in the 1998–99 book of Empire Club speeches, there is a listing for "Baillie, comma, A period, Charles," when he addressed us about the issue of bank mergers in November, 1998.

I am delighted to tell you that Mr. Baillie and I have a number of things in common.

We both bank at the TD Bank. He, however, has been Chairman of the Board of TD Bank Financial Group since 1998, a year after he was appointed Chief Executive Officer and three years after he was named President.

And 1964 was a big year for both of us. I graduated from high school and that was the year Mr. Baillie earned his MBA from the Harvard Business School and started his career at TD.

It's a career rich with innovation and leadership, from establishing TD's U.S.A. division to overseeing the purchase of Waterhouse Securities, which today is one of the world's largest brokers for the self-directed investor.

And of course, it was on Mr. Baillie's watch that TD acquired CT Financial three years ago, resulting in the new retail banking division, TD Canada Trust—where we both bank, remember.

I am tempted to—but will not—list his host of directorships or honorary chairmanships and degrees.

But let me note that we also have the Art Gallery of Ontario in common. I love to roam the gallery and Mr. Baillie is President of the AGO Board of Trustees.

Another big year for both of us was 2002. I had my newest book published. Mr. Baillie, meanwhile, was awarded the coveted CEO of the Year award by the Canadian Public Relations Society and the Visionary award from the Office for Partnership for Advanced Studies. The same year, he hosted the TD forum on Canada's standard of living bringing together the best and brightest from Canada's business, labour and academic communities to explore how Canada can exceed the U.S. standard of living in the next 15 years.

And that's typical of Charlie Baillie, a man who throughout his career has been actively engaged in public-policy issues.

So it's with sincere pleasure that I invite Charlie Baillie to address us again, this time about building the Canada we want.

Charles Baillie

Ladies and gentlemen, thank you for inviting me to join you today. I thought I might start by talking about my grandchildren. No you don't need to rush for the doors; I didn't bring photographs. But when I think of the future of

Canada, of the kind of country we want it to be, I think in terms of the country our children and grandchildren will inherit. I believe we have a responsibility to create a country where all children, regardless of the circumstances of their birth, will have a fighting chance to live healthy and fulfilling lives.

Normally, grandparents tell their grandchildren how difficult life was when they were young, but in many ways, young people today face greater challenges than we did. Paul Valery expressed it well: “The trouble with our times is that the future is not what it used to be.”

When I joined the labour market in the 1960s, the national unemployment rate was under 4 per cent. At that time, Canada was in the midst of a wave of prosperity that lifted our standard of living from 72 per cent of the Americans’ after the Second World War to almost 90 per cent by the late 1970s. The Canadian dollar was worth US$1.08. That’s right, it is hard to remember, but there was a time when our dollar was worth more than the American. Government budgets were generally balanced and public debt was low. The cost of a university education was relatively little and class sizes were small.

Contrast that with Canada today. The national unemployment rate surged to above 11 per cent in the 1990s and is now 7.4 per cent. Our standard of living is 85 per cent of that of the United States, up from its low of 81 per cent in 1997. Total public-sector debt was 100 per cent of GDP in 1990 and is now 70 per cent. After a decade of restraint, government budgets are, once again, generally in balance.

University tuition costs have increased at an average of 9 per cent a year in the last 10 years and class sizes have exploded. The competition for access to top Canadian universities is fiercer than ever before—and not just because of the double-cohort. High school graduates need marks well into the ’80s if not ’90s for the right to sit in huge amphitheatres. Many of us would not have made the cut. The dollar? That is a subject that is too depressing to broach.

The dollar aside, we have many real strengths on which to build for the future. We have a strong economy that last year outgrew all other Group of Seven nations and created more than 500,000 jobs. We have eliminated our national and most of our provincial deficits. The federal government is tackling the issue of making Canada a more competitive tax regime. The National Health Accord is a step in the right direction towards improving the quality and accessibility of our health-care system. Perhaps most important of all, we have greater confidence in ourselves as a nation.

I cannot guess whether this will still be true of the Canada our children and grandchildren will inherit. None of us can predict the future with any more accuracy than we can guess by how much the Maple Leafs will beat the Sabres tonight.

As Sam Goldwyn so memorably stated: "I never prophecy, especially about the future." What we can reasonably predict is that the rate of change will continue to accelerate, that knowledge work will become ever more important, and that increasing globalization will heighten international competition for the world's brightest and best. As a proud Canadian, I would like Canada to be a leading contender in that particular contest.

What can we do today to ensure that we are? What can we do so that our grandchildren will be able to perform well in this more open world of rapid change? How do we entice our most talented young people to remain working and living in this country? In other words, how can we ensure that they will be just as proud, if not prouder, to be Canadian?

I would like to suggest some answers within the framework of some of the recommendations that emerged from the TD Forum on Canada's standard of living last October. Forty leaders representing varied constituencies recommended that we address strengthening our fiscal and social framework, human capital, smart social policy, redefining Canada's external relationships, and leadership and attitudes.

Today I will focus on just three of those areas: our fiscal and social framework, human capital, and leadership and attitudes.

Fiscal and Social Framework

Our fiscal and social framework tops my list because of the more negative statistics I mentioned earlier. I am concerned that unless we take action now, our children's and grandchildren's legacy will be burdened by excessive debt and taxes and that this will limit their opportunities.

A decade of following the good Canadian ethic of restraint has rewarded us with a healthier economy than we have enjoyed for a very long time, but it has also left us with the challenge of tackling many neglected issues. Like bears coming out of hibernation, we are naturally in a hurry to make up for our period of starvation.

To Finance Minister John Manley's credit, his recent budget addresses some of the country's most pressing needs without taking us back into deficit. As we learned, to our huge cost in the 1990s, the piper eventually has to be paid. From the mid-1970s to the mid-1980s my generation enjoyed $1.12 of goods and services for every dollar of tax sent to Ottawa. In the last fiscal year we received just 73 cents of goods and services for each dollar of taxes we sent to Ottawa. The rest went to servicing the national debt created to pay for the largesse of 20 and 30 years ago.

Our grandchildren will still be paying throughout their working lives for the services that were under-funded by my generation and the baby boomers. The Canada Pension Plan is one. Our children and grandchildren will pay more in premiums than they will ever take out. Health care is another. The cost of health care for a person 65 or older is more than five times the cost for people under that age. People over 65 make up 12.5 per cent of the population today and the number will swell to 18.7 per cent in 2020. As a result, our children will pay even more for health services as the baby-boom generation ages.

There are several actions we can take to reduce the burden of this financial legacy. One is to reduce the debt to less than 30 per cent of GDP federally and 15 per cent provincially. A second is to continue the tax reductions that have already been made so that there are greater incentives to have an education, work, save and invest. A third is to make health care more efficient rather than using increased budgets simply to protect the status quo. A fourth solution is that we should not rush to address all our social problems at once. We must focus on smarter spending rather than simply more spending.

Ultimately, however, the only way we shall create a positive future for our grandchildren is by increasing our standard of living. Future generations will then be able to make quality-of-life choices from a position of prosperity. I have challenged the country before and I challenge it again. Let us increase our standard of living so that it is greater than that of the United States in 15 years—now 13. Time flies. Let us make the pie bigger so that future generations will have the financial latitude to make choices as to the quality of life they want. As a legislator in the Michigan State House once said: "There comes a time to put principles aside and just do what's right."

Young people today are not looking for gifts from us. They have great confidence in themselves and in our nation—but we owe it to them to reduce the financial burdens we have imposed.

Human Capital

My second area of focus is human capital, the key differentiator for organizations and countries alike. In an ideal future, every one of our citizens would make a positive contribution to society. To achieve this goal we shall need to address the pressing issues we face today in education, in integrating immigrants and in creating healthy cities.

Canada's wealth of natural resources will always be an important asset, but as we have known for a long time, it's not what you have, but what you do with it that matters. Knowledge and new ways to use it are what count in an environment where everything is becoming more competitive. Businesses and countries compete for capital and talent. Charities compete for funds. Universities compete for the brightest academics, the most brilliant researchers and the smartest students.

Our children already have a much greater capacity to access knowledge through modern communications than we ever had at our local library. I can only begin to imagine the quantum leap that our grandchildren will take. Access to information, however, is not the key issue. The key issue is their capacity to use the available knowledge to their own and Canada's advantage.

Smart, innovative thinkers come from an education system that gives them the skills and the confidence to compete with the best. Budgetary cutbacks have challenged our educational institutions to deliver more with less. The results, in the vernacular, have not been pretty. From kindergarten to post-secondary schools, problems abound. The most recent example came in the results of Ontario's new grade-10 literacy test. The results show that 63 per cent of students of English as a Second Language, 60 per cent of special education students, and 56 per cent of students in the non-university stream, failed. These students are all at risk of dropping out or failing to graduate. To compound the problem there are fewer guidance counsellors, special education teachers, English as a Second Language programs and school psychologists to give these students the extra help they need.

Many schools have taken music and the arts off the required curriculum, subjects that can broaden children's minds and encourage different ways of thinking—as Learning through the Arts, a Royal Conservatory program that TD sponsors, so clearly demonstrates. Physical education and after-school sports programs are also being cut in the face of an epidemic of obesity in children.

This is not the legacy our children and grandchildren should have. Let us take action now to make sure that more children at all stages of their development have access to the best. We cannot start too soon. A child's first five years are the prime time for his or her intellectual, verbal, physical, social, and emotional development. This is when the die is cast that will determine how well children fare at school and how well they fit into society. It is when we can help them prepare for a lifetime of learning. It is only common sense then, that if we want a society with the maximum number of productive individuals, that all children, regardless of their social circumstances, should have the same opportunity for an early childhood education. Let us leave them that legacy.

As in health care, this is not about maintaining the status quo. We need to find new and better ways to give future generations the best start through early childhood education, the best exposure to mathematics, literacy, the sciences and the arts from kindergarten through grade 12, and greater access to post-secondary institutions.

My bias as Chancellor of Queen's University may be in evidence, but I am particularly concerned that our most talented young people should be educated superbly. Many of them will go on to lead companies, pursue research, and head not-for profit organizations, which will provide jobs for Canadians from all walks of life. Let us ensure that they are equipped to meet the challenges they will undoubtedly face.

Let us also encourage schools from primary to post-secondary to teach our children to manage and live with change. Let them encourage risk taking so that more of the bright ideas generated now are acted upon and made concrete. We begin with distinct advantages. Thomas Friedman's observation is equally applicable to Canada: "The freedom of thought and the multiple cultural and political perspectives we offer in our public schools are what nurture a critical mind. And it is a critical mind that is the root of innovation, scientific inquiry and entrepreneurship."

However, we risk setting up innovation as a modern-day idol that we worship from afar. But people have been thinking in innovative ways since they first walked the earth. How else would humankind have survived and thrived? Let us remove the mystique around innovation, weave it through the curriculum and make it a competitive Canadian competency.

We also need to help young people break the vicious cycle of no experience, no job—no job, no experience. The unemployment rate for youth is 12 per cent—double that of adults. An example of the kind of private-sector, not-for-profit initiative we need is Career Edge. The organization offers internships to recent graduates of high school, college and university. My company is pleased to be a participant and we are committed to increasing the number of interns we employ. I urge more companies to take part in this innovative program to help today's youth kick-start their careers. That's an action you can take now.

Immigration

We cannot talk about human capital without addressing the fact that a growing proportion of our future population will be new Canadians. This is the only way our population will grow. Woodrow Wilson used to say that he not only used all the brains he had, but all the brains he could borrow. This should be our mantra as a country. One of the ways to increase our standard of living is to focus on helping immigrants become productive citizens more rapidly.

We need to make it easier for them to put their training and skills to work faster—for their own more successful adaptation, and for the benefit of all Canadians. We need to work on simpler ways to help them close the gaps in professional requirements and avoid a wasteful and expensive re-qualification process. In a country that celebrates diversity as a defining quality we owe it to ourselves and to future generations to make that effort. In addition, we need better co-ordination between the three levels of government to ensure that the funding process accurately reflects immigrant settlement patterns.

Ninety per cent of immigrants come to live in Canada's four largest cities, and the Greater Toronto Area receives almost half of them. The current funding process does not reflect these facts.

The stories of many of our community leaders, who are also immigrants, powerfully demonstrate the contribution that new Canadians can make. In a new program called Passages to Canada, the Dominion Institute has created a national speakers' bureau of such leaders. They will share their experiences with school and community groups in Montreal, Toronto and Vancouver. TD Bank is proud to be a sponsor.

Cities

Talented individuals, whether immigrants or Canadian-born, will go to the most attractive location. I would like to think that our children and grandchildren will inherit flourishing cities that will be as attractive as the best in the world. I have spoken before of my concern about the deterioration of our cities and our need to invest heavily in their infrastructure. I shall not repeat those arguments now. Let me simply say that we need to move away from their current 19th-century funding base to a system that is more representative of our cities' size and contribution to Canada's economy overall.

I would also like to think that the cities our children and grandchildren inherit would have even better cultural amenities than they have today. Here in Toronto I applaud the development plans at the Art Gallery of Ontario, the Royal Ontario Museum, the National Ballet School, the Canadian Opera Company, the Royal Conservatory of Music, and Soulpepper Theatre as well as several others.

I applaud the visionaries who understand that vibrant cultural communities and arts facilities are essential to the health of our city. They attract not only artists of all types but other highly talented individuals. The aptly-named Bohemian Index shows that the stronger the artistic community, the greater the attraction for innovative, technology-based industries. This is exactly what we need to keep the spirit of innovation and creativity alive and flourishing for future generations. I won't be passing around pledge forms but let us all give these new developments the support they deserve. Let us take action now to let our cities regain their world-class stature so that the brightest and the best in the world, including our own grandchildren, will be drawn to live here. And always be cognizant of that old adage, "where there's a will, there's a relative."

Leadership and Attitude

The bold initiatives in our cultural community are tremendous examples of the leadership and attitude that we need to create a great legacy for our children and grandchildren. One of the saddest things that happens as we grow older is that by the time we have the power to effect change we have lost much of the sense of wonder that I see in my grandchildren. We lose the appetite for testing the unknown and taking risks, and the belief that anything is possible. It is often said that the young do not know enough to be prudent, so they attempt the impossible, and achieve it, generation after generation. Let us nurture that wonderful spirit—but let us also be bold in our actions.

Canada is like a 10-year-old car, running adequately today but at risk that any time soon the transmission will go. And while we are at the curb waiting for the tow-truck, other countries that have already taken the bold steps will be racing past. Do we have a political and social system that works for most people today? Yes. Will it work for our grandchildren? Possibly not. The pace of change is moving faster than we are.

We are taking steps, but they are not sufficiently audacious steps. We still have processes that had their origins in an older, less open Canada. Too much energy, effort and money are wasted in inter-governmental rivalry and inter-provincial jousting. Let us work urgently to eradicate the protectionism between provinces. Does it make sense that there are tariffs on shipments of Moosehead beer into Quebec but none when it is exported to the United States? In an era where mobility of labour is becoming more and more important, let us work to remove barriers to entry from province to province for qualified professionals. Think of the power we could have in the global economy if we were to act as one cohesive country.

We have to dream big dreams. Then we have to act on them. It will mean taking risks and taking risks means moving outside our comfort zone. We need leadership—not just from our politicians but from business, academia, labour and the not-for-profit sector. We need a clear goal. I've done my best to set one and to rally support, but we won't get anywhere without solid, active involvement from all constituents.

Each of us needs to take ownership. If every Canadian does one extraordinary thing to create the Canada we want, we achieve our goal. Our head table guests today are a living testament to the power of individuals. The Honourable Jim Peterson has devoted much of his career to the often thankless task of public service. Matthew Teitelbaum is transforming the Art Gallery of Ontario to become "the imaginative centre" of Toronto. David Pecaut, Elyse Allen and Francis Lankin are, among other things, key players in the Toronto City Summit—a group of like-minded business, academic and not-for-profit representatives who are determined to bring this city back to its former glory. I am proud to be part of their team and my company is excited to be supporting this effort.

Let us not overlook the Empire Club, its executive members and their special guests, who help stimulate debate on issues of national importance.

There are actions that every one of us can take for Canada's future, whether or not we have children or grandchildren. I personally plan to continue to raise questions and offer solutions to issues that I believe are on the minds of many Canadians. Let us invest for our children and grandchildren in education, in immigration, in our cities. Let us increase our standard of living so that our progeny can continue to enjoy the qualities of life that make Canada distinct. And let us not be afraid to show leadership and take the bold actions that will make Canada an even stronger country for the generations yet to come.

Thank you.

The appreciation of the meeting was expressed by Catherine S. Swift, President, CEO and Chair of the Board, Canadian Federation of Independent Business and Director, The Empire Club of Canada.

March 13, 2003

Jim Excell

President and CEO, Ekati Diamond Mine, BHP Billiton Diamonds Inc.

THE EKATI DIAMOND MINE—SUCCESS IN CANADA'S NORTH

Chairman: **William G. Whittaker**
3rd Vice-President,
The Empire Club of Canada

Head Table Guests

David Agnew, President and CEO, UNICEF Canada and Director, The Empire Club of Canada; The Reverend Prue Chambers, Rector, St. Nicholas Anglican Church; Shelly Purdy, Owner/Designer, Shelly Purdy Studio; Tony Andrews, Executive Director, Prospectors and Developers Association of Canada (PDAC); Richard Molyneux, President and CEO, De Beers Canada Corporation; Fiona Blondin, Director of Public Relations, O.I. Group of Companies and Director, The Empire Club of Canada; Bob Gannicott, President and CEO, Aber Diamond Corporation; and Tony Martino, Vice-President, Human Resources and Communications, Xerox Canada.

Introduction by William Whittaker

There are two harbingers of spring in Toronto—the school break and the Prospectors and Developers Convention here at the Royal York Hotel this week.

The reason I am chairing this meeting is that, unlike our President, Ann Curran, my children are adults! I am glad to see from our audience today that there are some people left in downtown Toronto who are not away entertaining their children and grandchildren.

The annual Prospectors and Developers Convention is part of the folklore and history of the Canadian mining industry. The ghosts of conventions past who stalk the Royal York's corridors are legion.

To name a few:

- Viola MacMillan and Windfall which resulted in the Ontario Securities Commission and its seven floors of bureaucrats in downtown Toronto;
- Stephen Roman who walked the Royal York corridors looking for investors in what eventually became Denison Mines' Elliot Lake uranium mine;
- the legendary gold mine promoters—Noah and Leo Timmins, Gilbert Labine and Sir Henry Oakes;
- and of course Murray Pezim whose ghost still walks the canyons of Bay Street looking for bids!

What would these promoters of base metal and gold mine plays of the past think of Canada's diamond play of the 1990s and today?

They would be speechless as Canada's diamond industry today accounts for 6 per cent by value of the worldwide production of diamonds which is soon to double to 12 per cent!

Diamond exploration commenced in the Northern Territories 20 years ago resulting in the Lac de Gras discovery in September, 1991. Seven years later, the Ekati Diamond Mine commenced production.

Jim Excell, who graduated from the University of British Columbia in 1972 with a metallurgy engineering degree, was appointed President and Chief Operating Officer of Ekati in March 1999.

His contributions to the Etaki Diamond Mine project and the north were recognized by his peers in 1998 when he was named the Alberta Chamber of Commerce's "Resource Person of the Year."

Jim served as President of the Northwest Territories Nunavut Chamber of Mines from 1998 to 2002. He is Director and member of the Executive Committee of the Mining Association of Canada and is an active member of the Industry Advisory Committee to the School of Mining Engineering at the University of Alberta. Jim is a member of Canadian Institute of Mining and Metallurgy and a Fellow of the Australasian Institute of Mining and Metallurgy.

Jim will speak to us today about Canada's place in the world diamond industry and the Ekati Diamond Mine story.

Ladies and gentlemen...Jim Excell.

Jim Excell

Whenever you mention diamonds to people in Canada, there are three questions they always ask:

"Are there really diamonds in Canada?"

The answer of course is yes.

"If they are found in Canada they must be industrial grade diamonds?"

No, they're world-class gem quality stones.

After the first two questions, the third question is usually: " Are there any free samples?"

BHP Billiton Diamonds Inc. operates the Ekati Diamond Mine, which is located in the Northwest Territories of Canada. Our parent company BHP Billiton has headquarters in Melbourne, Australia and London, England. BHP and Billiton merged in July of 2001 to become the largest diversified resources company in the world.

The Ekati Diamond Mine is owned by BHP Billiton Diamonds Inc., which controls 80 per cent of the project. The other 20 per cent is shared between geologists Chuck Fipke and Dr. Stewart Blusson who "discovered" diamonds in Canada and were key players in the development of the Ekati deposits. The mine, which is located 300 kilometres northeast of Yellowknife and 200 kilometres south of the Arctic Circle, is the first new mine in the Arctic in 20 years.

My talk today entitled "The Ekati Diamond Mine—Success in Canada's North" is about the opportunities shared by the people of the North as a result of the development of the diamond industry. The success of diamond mining and to a lesser extent cutting/polishing, has been enjoyed by the Aboriginal and non-Aboriginal people of the Northwest Territories and western Nunavut, our company, and governments at the federal, territorial and municipal levels. Canadian diamonds are now reliably available at retail outlets across the country and are making inroads in diamond markets around the world where they are contributing positively to Canada's balance of trade.

I will try to give you a picture of the industry today, four years after Canada's first diamond mine went into production. We will talk about the development of the Ekati Diamond Mine and BHP Billiton's approach to sustainable development. I believe our successes include the recovery of a great product, and the establishment of an exciting new industry in Canada's North. This has been done while taking exceptional care of the environment and providing tremendous benefits for Northern and Northern Aboriginal people in the Northwest Territories and western Nunavut. The skills and support businesses left behind by the Ekati Diamond Mine will have a lasting effect on the people and the economy of the North.

First, I would like to give you a little bit of background to put things in perspective.

The unit of measure in the diamond business is the carat. A carat is 1/5 of a gram and about the size of a pink pearl eraser on a number-two pencil.

The grade of a very high-grade diamond mine in Canada is about 1 carat per tonne. You are looking for 1/5 of a gram from 1 ton of ore.

The diamonds were actually formed about 170–200 kilometres beneath the earth's surface somewhere around two to three billion years ago.

The diamonds came to the surface at Ekati around 56 million years ago. Other diamond-bearing kimberlite deposits near Ekati, in the Slave Geologic Province of the eastern Northwest Territories and western Nunavut, exploded to the surface up to 250 million years ago.

The diamonds came up in very small kimberlite volcanoes that left behind carrot-shaped volcanic pipes.

As diamonds in the Ekati kimberlites are only present at 1/5 of a gram per tonne, the geologist used more prolific diamond indicator minerals, like G-10 garnets and chrome minerals to point the way to diamondiferous pipes.

During the ice age, the glaciers ground the relatively soft kimberlite off the top of the volcanic pipes and dragged it hundreds of kilometres across the barrenlands to the southwest of Ekati.

Geologists Chuck Fipke and Stewart Blusson followed the "trains" of indicator minerals back to the pipes where they found the diamonds encased in the intact kimberlite below the level of glacial scour.

Once they had located an apparently intact diamondiferous kimberlite deposit the prospectors formed a joint venture with BHP Billiton to evaluate and as luck turned out to eventually mine the diamonds.

Around the world there are about 6,000 known diamond-bearing kimberlite pipes. Less than 40 of these pipes have proved to be economic to mine. It is now very hard and expensive to find and develop an economic kimberlite pipe. In the last 12 years there have been 12 economic pipes found in the Northwest Territories and western Nunavut. Economics are based on carats recovered per tonnes of ore processed and U.S. dollars per carat sold in the rough. The calculation is much more complex than gold for instance, which has a fixed price for an ounce. Each carat of diamonds has a different value based on the quality of the stones. At Ekati, an economic grade is currently approximately 1 carat per tonne with a rough value of US$100 per carat.

The fascinating history of the diamond industry goes back about 2,400 years. From 400 B.C. through the 1700s, India was essentially the only known source of diamonds. Estimates of "prehistoric" and early historic diamond production suggest that 50 to 100,000 carats per year were found, mostly in alluvial deposits in river gravels. These rare and beautiful stones filtered into the treasure troves of Indian maharajas, the hordes of Middle Eastern sultans, and eventually found their way back along the spice road to the kings of Europe to adorn the necks of their sometimes unlucky queens. The story of Marie Antoinette and the curse of the Hope Diamond live on today.

With the discovery of the new world, Brazil became a producer in the late 18th century. Tales of men moiling for sparkling stones in the mysterious steamy jungles of the upper Amazon continue to fuel the legend, but the modern industry really owes its origins to discoveries made in South Africa in the 1870s. Stories of Cecil Rhodes, Barney Barnato, De Beers and the diamond cartel have filled many books. More recently Russia entered the market in the 1960s, Botswana in the 1970s, Australia in the early 1980s and Canada in 1998. While diamond mining in the 21st century is more industrial than in the past, it remains a fascinating story. Ekati continues to have a steady stream of film and print journalists who want to tell our story.

Around the world diamond-producing regions are relatively rare. There are three major deposits and six minor deposits in Africa. There is one major and one minor in Australia. There are three major and two recent discoveries in Russia. There are minor deposits in South America and in the United States. Canada is the first significant new diamond find made in the past 20 years.

If diamonds are scarce, gem-quality stones are truly rare. Most are produced in Africa, Russia and to a lesser degree in Australia. Africa supplies about 50 per cent by weight and 70 per cent by value. Russia provides 12 per cent by weight and 18 per cent by value. Australia produces 30 per cent by weight and 3 per cent by value. By contrast Ekati is currently supplying 4 per cent by weight and 6 per cent by value. Ekati is all about the production of quality gems.

The Canadian diamond industry is growing. Diavik Diamond Mines operated by Rio Tinto with its Canadian joint venture partner Aber Diamonds Corp. is currently finishing its commissioning stage and is starting to ramp up to full production. Significant numbers of Diavik diamonds will start to come on the market later this year. Diavik will add another 5 per cent by weight and 6 per cent by value to the world's total production, bringing Canada's contribution to about 12 per cent of the world's production of gemstones by value. De Beers has two advanced exploration properties in the Northwest Territories and one in Ontario that they are looking at very carefully. One of them, Snap Lake in the Northwest Territories, is currently in an environmental assessment and it is highly probable that De Beers will take it into production in the next few years. Tahera Resources' Jericho Project, north of Contwoyto Lake in western Nunavut, is currently in the final stages of environmental assessment. This aggressive Canadian junior is about to make the jump from exploration company to producer. While these later projects are smaller than Ekati and Diavik, they demonstrate the growing depth of the Canadian diamond-mining industry.

Canadian junior exploration companies are very active in diamond plays across the country. There are large exploration projects in the Northwest Territories, Nunavut, Alberta and Ontario, Manitoba, Saskatchewan and Quebec. Without rose-coloured glasses, one can see that in 10 years time 15–20 per cent of the world's diamond supply could be coming from Canada.

Geologists have long known that Canada has had the right conditions for diamonds. I remember being told as a first-year geology student in 1967 that there were diamonds in Canada. While that revelation got pretty good laughs from the audience, lo and behold that professor was right. His prediction of an unrealised geologic potential brings us to the story of the Ekati Diamond Mine.

Ekati's story started about 20 years ago when geologists Chuck Fipke and Stewart Blusson found indicator minerals near Blackwater Lake on the east side of the Mackenzie River. That discovery started an 800-kilometre search following indicator mineral "trains" back along the path of the glaciers across Canada's barrenlands. Their basic technique was relatively simple—take samples from glacial features such as eskers during the summer and analyse them for key indicator minerals during the winter. They would then plot the locations of indicator mineral concentrations and try to backtrack the directions from where these indicator minerals had originated. Their real trick was working out which way the glaciers had moved the trace minerals. Tracking glacial movement was the really hard bit. They and their Kelowna investors persevered, however, followed the trail, ran out of money, refinanced and got going again. Every year throughout the 1980s they quietly kept making progress. BHP Billiton finally got involved when they came to the end of the indicator trail and said now we need some money to really start drilling and see if we can actually delineate an economically viable kimberlite pipe. Once the joint venture was formed between BHP Billiton, DiaMet, Fipke and Blusson, our geologists moved in to work with our new partners to drill the first kimberlite pipes. The discovery is one of those Cinderella stories where Fipke found the Point Lake pipe on the last day he could afford his helicopter and then later on the very first drill hole diamond-bearing kimberlite was discovered in September of 1991. It was kept a secret for almost four months, but when the news broke North America's largest staking rush was on. Some 40 million acres of land were staked over an 18-month period. It was an incredible time of great excitement, intrigue and speculation. It's a fascinating piece of history and a classic story of determined prospecting against all odds. While BHP Billiton Diamonds' name is now associated with the Ekati find, in reality it was one of the Canadian junior mining industry's finest hours. Shortly after the Ekati Diamond Mine find, another Canadian junior—Aber Resources—staked what would become the Diavik Diamond Mine.

While finding diamonds in the wilds of the barrenlands is an exciting story, developing Canada's first diamond mine was complicated by more than the natural adversity of the Arctic. The Northwest Territories and Nunavut are extremely complex political environments. Both territories have significant Aboriginal population including a variety of First Nations and the Inuit. There are six or seven languages in addition to English and French. There are many issues resulting from unsettled land claims, partially implemented land claims, the division of the old Northwest Territories into the modern Northwest Territories and Nunavut and the associated issues of devolution of power from the federal government to the territorial governments.

The Government of the Northwest Territories (GNWT) has put an interesting twist on public government by running counter to the rest of Canada and basing itself not on a party system but on a consensus form of parliamentary government. There are no political parties at the territorial level. While the system works, it takes time to understand the players. Finally, because there has never been a formal devolution of provincial type power to the GNWT, the Territorial Commissioner who fills the role of a Lieutenant-Governor in the provinces is still in fact a Deputy Minister in the Department of Indian Affairs and Northern Development (DIAND).

Through land claims negotiations, the federal government is making government-to-government agreements with the Aboriginal First Nations that often overlap with the "provincial-like" authorities of the GNWT. The Mackenzie Valley Resource Management Act, which flowed from the terms of the Gwich'in and Sahtu Land Claims, places a lot of what would normally be federal or provincial authority over land use in the hands of quasi-judicial boards. The federal government remains the largest landowner in the Northwest Territories. All of this and more make it a very complex place to do business.

The barrenlands, where the Ekati Diamond Mine is located, have an average annual temperature of -11 degrees Celsius. It can break -50 degrees Celsius in January and February. We have about 300 millimetres of precipitation annually, making the mine site a semi-arid environment. About half of the precipitation comes as snow, half as rain. There are no trees taller than a man's waist and huge areas of our mineral-claim block are covered with glacial debris affectionately called bolder fields. Flora and fauna abound during the short but intense summer. Although the odd patch of dwarf willow and stunted spruce could be called thick brush, mostly it is a land of small scattered shrubs, grasses and lichen. The barrenlands host a very interesting suite of grizzly bears, wolverines, wolves, foxes, hares and the 350,000 strong Bathurst caribou herd. Seasonally, migratory waterfowl and songbirds grace the tundra wetlands. The mine sits on continuous permafrost that penetrates 250 metres below the surface. It's not exactly the place you would expect to find an Australian mining company, but we persevered to build and now run one of the most productive and environmentally sound mines in the world.

Aggressive discovery, exploration and development programs established an economic reserve of mineable diamondiferous kimberlite ore, but before we could mine the company had to develop its own recovery process. The world of diamonds is a pretty exclusive club that is full of secret handshakes and well-guarded recovery processes. As the new kid on the block BHP Billiton had to find its own way.

A project description was eventually submitted to the Canadian government in late 1994, which started a three-year environmental review and permitting process. As part of project development, a rigorous community consultation program was undertaken to establish relationships with the seven Aboriginal communities on whose traditional lands the mine site resides. Other stakeholder groups ranged from local business people to non-governmental organizations (NGOs). I went out and listened to people's concerns and issues and addressed them wherever possible. Eventually, the grand chief of the Dogrib First Nation began to say in public meetings: "We like your project and my people will benefit, but just make sure you look after the land, the water and the wildlife."

Our permitting efforts resulted in a suite of 11 permits and agreements that allowed BHP Billiton to build the Ekati Diamond Mine. Once we had the authorizations in place in January of 1997, we began a $700-million construction and mine-preparation program. Building Ekati is an incredible story of logistics and technological innovation. The site is totally isolated, over 300 air kilometres from the nearest all-weather road for 10 months of the year. For two months each year, BHP Billiton, Diavik Diamond Mines and Kinross Gold Corporation construct a 420-kilometre ice road and restock our mines. For the other 10 months all movement of people and resupply is done by air. The Ekati Diamond Mine has a 5,000-foot fully instrumented airstrip that can handle 727, 737 and Hercules Aircraft. Currently, there are five scheduled 737 flights and several other flights from Yellowknife to the mine each week to move people plus regular daily freight service. The facilities at the site were designed so that most people not involved in the actual open-pit or underground mining could do their jobs through the long Arctic winter without ever going outside. Our diamond processing plant, which was designed from scratch, was at the time it was built one of the most advanced fully automated diamond recovery systems in the world.

During the construction days we brought in 250,000 tons of freight by road. We brought in 85,000 tons of freight and moved 75,000 passengers by aircraft. We developed security systems which, unlike the industrial norm in other parts of the world, are intended to protect our employees. Other operations have systems to protect the product. Our philosophy is simple. If 99.9 per cent of our employees do not have access to diamonds then it will remove the incentive for black marketers to try and corrupt otherwise honest people who might simply be down on their luck. We invented the machinery to recover diamonds in our plant and we learned how to keep large mobile earthmoving equipment running at -40 Celsius. With all that going on we still brought the project in on time, on budget and with a world-class safety record that has never been seen in the North before or since.

Operations commenced in October of 1998 and production ramped up over the following few months to process approximately 9,000 to 10,000 tonnes of kimberlite ore per day. To provide the ore, the mine operations people move around 100,000 tonnes per day of ore and waste rock. The Ekati Diamond Mine now has about 780 employees. We have an in-house training system second to none. Our reputation for hiring and retaining Northern Aboriginal people is considered the best in Canada. We have a highly effective environmental management and monitoring system that is based on adaptive management. As a company, we go to great lengths to meet or exceed the regulatory requirements. Our materials management system tracks potentially hazardous products used at the mine from cradle to grave. We have our own waste-management facility to reprocess products that include used oil, waste glycol, old batteries and expended aerosol cans. All of the food waste and industrial products like oily rags are incinerated. The Ekati landfill only receives "clean" wood, metal and tires. Our sewage plant was the first secondary treatment facility in the Northwest Territories. We have recently completed six years of intense research on re-vegetation that is about to be implemented as portions of our Long Lake Processed Kimberlite Facility are filled and old infrastructure such as the original camp are progressively reclaimed. Finally, Ekati has first-class modern facilities for our employees to live in while they work on a two-week-in/two-week-out rotation. Our camp is alcohol-free and drug-free. In 2001 and 2002, Maclean's magazine listed the Ekati Diamond Mine as one of the 100 best places to work in Canada. That is not a bad record for a fly-in/fly-out mine.

We now produce over four million carats of high-grade, high-quality gem diamonds per year. Their introduction into the world diamond market has been as successful as other phases of the project.

What exactly is the diamond market? The world rough diamonds trade is currently valued at about US$8 billion per year and sales average 80 to 120 million carats including gems and industrial quality stones annually. De Beers dominates the market with about 65 per cent of the sales.

Ekati diamonds have been well received internationally. There are a number of reasons for the relatively rapid acceptance of Canadian diamonds. First, they are excellent quality. Secondly, Canada is a very stable country with a predictable political regime. And finally, BHP Billiton is a large reliable mining company with a solid international reputation. While our principal market is in Antwerp, Belgium, we also sell up to 10 per cent of our production to the cutting and polishing industry that is developing in Yellowknife. The three cutting and polishing factories in Yellowknife have led the way in specialized cuts such as the Dene Rose and brand engraving. Branding is a new trend that identifies the source of diamonds to the consumer and it is catching on internationally. You have all heard of the Polar Bear diamonds, well that is Sirus Diamonds one of the Yellowknife factories. Our company is now branching out into the sale of cut diamonds with a brand called Aurias. The Aurias stones are available coast to coast amid a growing demand for our Canadian product. Canadian retailers tell us that they get phone calls from people around the world that either collect diamonds and/or simply want to buy a Canadian diamond. The introduction of the Ekati stones has coincided with this interesting new phenomenon in diamond marketing where consumers are asking for documentation on the provenience of the stone they are purchasing. This goes against 125 years of marketing practice where a diamond was simply valued on its weight and quality without reference to its place of origin.

BHP Billiton believes that we have a successful operation. We provide value to the Aboriginal community and residents of the North, and we are running one of the most environmentally sound mines in the world. We have been successful at developing a sound business in Canada's North. So, how did we do it? Firstly, Ekati is a value-driven organization. Early on we established a strong sense of how we wanted to operate in the North based on the policies of BHP Billiton and the permits, licences, agreements and understandings we made with the people of the North. We established a vision and developed some core guiding principles, which govern the way we run our operation. We do not waiver in our resolve to perform to high standards. Safety at the mine is our absolute number-one priority. Second is our commitment to be good stewards of the environment. Third, we made hundreds of commitments for ongoing consultation regarding environmental management and community socio-economic development. We committed to help develop northern business so that Northerners would be able to take advantage of the opportunities that the operation of the mine might present for them. It has taken time, but I think most people now realize that we have walked the talk and lived up to our commitments. The Ekati Diamond Mine has not done this on its own. We have had very good support from our parent corporation, even when we pushed the envelope and raised the bar with regard to corporate social and environmental responsibility. Over the years we have seen some of our cutting-edge ideas come to form the basis of BHP Billiton's new corporate policy on health safety, environment and community. Our management team and employees have spent a lot of time explaining the vision and talking about the values of the organization through venues such as community meetings, employee "tailgate" safety meetings and new-employee site orientations. All of the hard work has had an impact and because of it we have been able to do some wonderful things very, very quickly. To have a value-driven organization you have to have value-driven visionary people. Our people have followed through on our commitments and continue to build our absolutely essential relationships with Northern Aboriginal communities and of course government. We have been very fortunate that these relationships, which have grown over time, have helped to turn our vision of a strong northern diamond industry into a reality.

One time, after a particularly heated discussion at a community consultation meeting in a Dogrib community, a local person came around selling t-shirts that said: "Diamonds are a Dogrib's best friend." That response typifies the relationship that has grown up between the company and the communities. We may disagree but have learned to come together at the end of the day. We have sound working relationships with Northerners and the Aboriginal people of the North. This has been built through our willingness to innovate and try new ideas.

During environmental assessment hearings in 1996, the company had to deal with the fact that the land claims of several of the Aboriginal groups with whom we work had not been settled. The federal government had made it clear that royalty sharing with the Aboriginal groups would not occur until the land claims were settled. The question facing the company was how do we make benefits flow to the Aboriginal community despite the lack of settled land claims. In the end, we established Impact Benefit Agreements, which are contractual agreements between the Aboriginal groups and BHP Billiton Diamonds covering employment, training, business opportunities, scholarships and some cash so that each group has the means to deal with the potential effects of the diamond industry in their own way. The communities have used some of these funds for impact mitigation. One group has set up drug and alcohol rehabilitation programs and topped up post-secondary scholarships for students. Another community used some of their IBA money to buy a Zamboni for their hockey rink. Other groups have invested in community economic development projects to try and diversify their local economies. In the end, each group handles these funds a little bit differently but all in all they all seem to be providing the intended benefits.

In addition to the IBAs with the Aboriginal groups, BHP Billiton Diamonds Inc. also has a Socio-economic Agreement with the GNWT. The agreement grew out of concerns expressed during the environmental assessment in 1996. The agreement lays out a framework to ensure Northerners benefit from the development of the Ekati Diamond Mine. From our perspective, the agreement has been quite successful, as it has provided us with some useful targets to judge our progress toward fulfilling our commitments. In just about every case the company has met or exceeded the expectations of the agreement.

By negotiating and implementing these agreements, BHP Billiton has contributed to the capacity of these communities in ways that let them direct their own economic, social and political development. Both the IBAs and the Socio-economic Agreement were designed to encourage capacity building. Simply handing out money is like giving a man a fish. Tomorrow it is gone. Our goal is to create opportunities for the people of the North that will provide them with the “fishing net” they need to ensure they can provide not only for their immediate needs but also provide for their future.

Ekati does not have a department that is responsible for fulfilling the contents of these agreements. It is really just a way or part of the way we conduct our business. The responsibilities are spread across a variety of responsible departments including External Affairs, Human Resources, Environment and Mine Operations, etc. The performance expectations are built into employee job descriptions and measured annually through performance appraisals.

One of our spectacular successes, I believe, has been in the area of employment. Our current work force of around 780 people is made up of 80-per-cent Northerners. Just over 40 per cent of the work force is made up of Northern Aboriginal people. Forty-per-cent Aboriginal employment gives the Ekati Diamond Mine the highest percentage of Aboriginal employees of any company or government in Canada. To build and maintain this record, we have had to develop some pretty innovative training systems. Our entire approach to training is competency-based. Our workplace literacy program has won national awards. We have developed a leadership development program, which allows our people to take modules over time that will provide them with the skills needed to advance into management. Part of the reason we do not have a 100-per-cent northern work force is because the Northwest Territories and western Nunavut do not have an adequate base of skilled trades such as heavy-duty mechanics, welders, millwrights, electricians and instrument technicians. We have to bring in people from the South to fill that void. Our operation now has 105 apprentices of which 44 are Aboriginal and 32 are northern. Seventy two per cent of our apprentices are Northern and/or Northern Aboriginal. As you can see, within a very few years we have developed a skilled northern labour force.

Our Human Resource people have had to come up with some interesting and unique ways of interviewing people to determine their core skills and competencies. We agreed in the Impact Benefit Agreements to waive the usual grade-12 entry requirement for employment for up to 10 years, because there were many northern people who do not have that level of education. Many of our adult employees had never had a full time job in their lives before joining the Ekati team. We adopted a behaviour descriptive interviewing technique that is able to extract people's hidden abilities. It has worked very well.

The IBAs provide for educational scholarships. To give you an idea of how the North has changed, in 1995, the first time we gave scholarships to the Dogrib First Nation, we could only find one post-secondary student to accept the aid. The other nine scholarships were split up to help keep high-school students in school and to allow others to return to school. That was eight years ago. Now the Dogrib Treaty 11 Council receives applications from 160 Dogrib post-secondary students a year for these scholarships. That is a significant shift in a very short time.

Ekati has a very successful workplace literacy program. Of our 300 Aboriginal employees, 80 of them have voluntarily registered in our workplace literacy program. It has been very successful in helping people to work more safely and to seek promotions as their skills increase. This program contributes in a very positive way to improving the livelihood and future of its participants and their families. In early 2003, the Conference Board of Canada honoured BHP Billiton Diamonds with an Award of Excellence for Work Place Education.

By offering educational support and training programs to employees, BHP Billiton provides marketable skills that are immediately transferable to other mines and industries after Ekati has one day closed. This legacy will serve not only the mine, but also the North well into the future. I believe this is an essential part of what sustainable development is all about because ultimately a sustainable work force is an educated work force.

Our efforts never stop. We bring high-school students to our site so that they can get a firsthand look at the people we employ and the way we conduct our business. We bring the elders from the communities to the site to help monitor the movement of wildlife through the property. We bring families to the site so that they can see where their spouses and parents work. We make presentations at career days throughout the Northwest Territories and western Nunavut. We provide life-skills training to help employees learn how to manage their finances. All employees at Ekati take cross-cultural awareness training as part of their orientation. For all these efforts Maclean's magazine has recognized us as one of the top-100 employers in Canada for the past two years.

Extensive opportunities have been provided to Aboriginal and northern businesses to take advantage of the chance to supply the mine with goods and services, while encouraging them to diversify their businesses so that they do not become solely dependent on mining. We have been able to facilitate the start of businesses ranging from construction companies to community enterprises. One very small Aboriginal community started a small carpenter shop to make wooden survey stakes, which are required by our civil engineering and geologic projects around the mine. Ekati goes through many thousand survey stakes every year. It required a capital investment by that community of about $800 to tool up for the job. The carpentry shop has helped to generate community capacity by providing people a positive experience in operating a small business while providing the mine with an essential product.

At the other end of the scale, we helped launch a company called KeTe Whii, in which a combination of seven communities partnered to get bank loans to start a business to truck ore from our Misery Pit 27 kilometres to the process plant. They now have a $30-million ore haulage contract. Other Aboriginal businesses are involved with catering, housekeeping, janitorial services, safety supplies, air support, contract mining and civil construction. To give you an idea of how well this has gone in the year 2001, Ekati did $105 million in business with Northern Aboriginal companies. These are true businesses; they are not give-aways. BHP Billiton Diamonds is responsible to the shareholders of BHP Billiton. To answer our parent company, our association with Aboriginal companies must provide real economic value. In the end, it is very good business from everybody's point of view.

Finally, the rapid growth of diamond mining has had a mitigating effect on the economic impact of closing gold and metal mines in the North. As a new industry, diamond mining has contributed to the economic diversity of the North.

Before concluding, I would like to speak about the Kimberly Process. If there is a bit of a dark side to the mining of diamonds, it is conflict diamonds. While they are largely marketed outside the existing international system, they are nonetheless a reality. What the Kimberly Process did is show that people with the will can solve a problem. Governments, non-government organizations and the industry got together and established a new set of international standards designed to prevent the trade of conflict diamonds. It is based on a system of certificates that follow legitimately produced production through the diamond-marketing pipeline. There are now 55 countries involved. The governments of producing countries, significant members of the diamond industry and several dedicated non-government organizations were involved in developing the process in just a little over two years. The Government of Canada played a significant leadership role. A new set of guidelines implementing the system in Canada came into law at the end of 2002. The first shipments of diamonds left Canada with their Kimberly Process Certificates in place in January of 2003. It was a very complex issue that was solved with rapid action. The result is that real control is now being exerted over the international movement of rough diamonds. Canadian diamonds are now adding to the strength of our new industry.

To conclude I'd like to say that BHP Billiton Diamonds' experience with the Ekati Diamond Mine has been very fortunate. We have had the right people in the right places at the right times, both within our company and externally with the regulators, Aboriginal groups and in the international diamond community. We have had the corporate support that is essential to driving a successful project. The Ekati Diamond Mine has earned government, community and Aboriginal support. A clear plan was spelled out in our 1994 Project Description and the 1995 Environmental Impact Statement that we stuck to. We have been able to build successful relationships based on mutual respect and benefits and while we are still only in the early days of our mine life, we have an exceptional base on which to grow our business and see lasting benefits for Northerners and Northern Aboriginal people. Ekati Diamond Mine is the foundation of Canada's diamond industry and we believe a true example of sustainable mining.

Thank you very much for the opportunity to speak with you today.

The appreciation of the meeting was expressed by Fiona Blondin, Director of Public Relations, O.I. Group of Companies and Director, The Empire Club of Canada.

March 20, 2003

The Hon. Martin Cauchon

Minister of Justice and Attorney General of Canada

SHAPING THE CANADA WE WANT

Chairman: **Ann Curran**
President, The Empire Club of Canada

Head Table Guests

Malcolm J. MacKillop, Director, The Empire Club of Canada; Robbie Fine, Grade 12 Student, North Toronto Collegiate Institute; Reverend Canon Philip Bristow, Incumbent of St. Philips-On-The-Hill, Unionville; J. Warren Kinsella, Principal and General Counsel, Navigator Ltd.; The Hon. Senator David Smith PC, MP, Senate of Canada; The Hon. Brian Lennox, Chief Justice, Ontario Court of Justice; William G. Whittaker, QC, Partner, Lette Whittaker and 3rd Vice-President, The Empire Club of Canada; The Hon. Mr. Justice Paul Bentley, Presiding Judge of the Toronto Drug Treatment Court; The Hon. Heather Smith, Chief Justice, Superior Court of Justice, Ontario; and Randall Scott Echlin, Partner, National Labour and Employment, Borden Ladner Gervais LLP.

Introduction by Ann Curran

Given the U.S. military attack on Iraq last night and the ongoing "War on Terrorism," today's speaker is very timely. Canadians are watching, waiting and wondering how this war will affect them and their global relations.

As Canada's top lawmaker, Minister of Justice Martin Cauchon is involved in a delicate balancing act. On the one hand, he must strive to preserve and advance Canadians' fundamental rights and freedoms, while on the other, he must help ensure that our criminal laws strongly protect Canadians from domestic and external threats.

Given this uncertainty in the global climate, how does he ensure that Canada's justice system reflects Canadian values, yet responds to international challenges? How does he advance "made-in-Canada" solutions in an era marked by globalization, where many crimes such as terrorism, drug smuggling, cybercrime, child pornography and fraud know no borders?

Minister Cauchon will describe these challenges to us today as he charts a course to modernize Canada's criminal justice system. But first, let me briefly describe to you Minister Cauchon's background.

Martin Cauchon was elected to his third term as Member of Parliament for the federal riding of Outremont, on November 27, 2000. On January 15, 2002, Prime Minister Jean Chrétien appointed Mr. Cauchon as Canada's 45th Minister of Justice and Attorney General of Canada and Minister with Political Responsibility for Quebec.

Mr. Cauchon previously served as Minister of National Revenue and Secretary of State responsible for the Economic Development Agency of Canada for the regions of Quebec.

In addition to his ministerial duties, Mr. Cauchon is a member of the cabinet committees on Economic Union, Social Union and the Special Committee of Council where he serves as Vice-Chair. Mr. Cauchon also sits on the Ad Hoc Committee for Public Security and Anti-Terrorism.

From 1993 to 1995, Mr. Cauchon served as President of the Liberal Party of Canada (Quebec). In 1994, he was Vice-Chairman of the Standing Committee on Public Accounts. From 1994 to 1995, Mr. Cauchon chaired the Canada-France Inter-Parliamentary Association.

Before entering politics, Mr. Cauchon received a Licentiate in Civil Law from the University of Ottawa in 1984. From 1985 to 1993, he practiced civil and commercial litigation. In 1990, he completed a Master of Laws in International Law at the University of Exeter in England.

Mr. Cauchon was born in La Malbaie, Quebec.

Ladies and gentlemen, I give you Minister Cauchon.

Martin Cauchon

Thank you, Madam President, for your kind introduction.

I know as I begin this speech today that we are all looking at the events of the past 24 hours and what impact those events will have on our country and on our world.

I appreciate this opportunity to speak to you. The Empire Club of Canada has long been an invaluable forum for public discussion.

It is in this spirit that I've come to discuss our justice system and, more precisely, the core values upon which it is built.

I stand here before you today because I believe in this country. I believe our government plays a leadership role here at home and on the world stage.

Indeed, one only has to look at Canada's role in the most serious issue of the day—the crisis in Iraq.

We work for compromise. We work for solutions within the United Nations. And we strive for a safer world. As the Prime Minister said in the House of Commons earlier this week, we believe that Iraq must fully abide by the resolutions of the United Nations Security Council, and we made it clear from the beginning that approval of the Security Council would be preferred for Canada to participate in a military campaign.

Today, I want to talk about the kind of Canada we want—for ourselves and for future generations. The Canada we want is partly shaped by our laws and, as Justice Minister, I have the privilege of playing a special role in developing and defending those laws.

What is it that makes us proud to be Canadian? What is it that we most want to leave to our children? I think we are proud of our commitment to democracy, freedom, and fairness. We are proud that we look out for our neighbour, and that we welcome differences of language, culture, and religion. We are proud to be thought of as dependable friends in the international community.

In 1867, the Fathers of Confederation captured core Canadian values when they included in the Constitution "peace, order, and good government." These remain defining characteristics of our society, but when we updated our Constitution in 1982, we added values such as fairness, equality, and diversity as key elements of what makes us Canadian.

Today, I want to talk about three aspects of this—starting with how we seek freedom through security in these days when war and terrorism occupy so much of our thoughts.

Second, I want to talk about how the criminal law reflects who we are.

Mainly, though, I want to speak to you about what it means to be Canadian.

As we gather today, we are under the cloud of war and terrorism. I know that you join me in hoping for the best possible resolution in these difficult circumstances.

The Government of Canada continues to be vigilant in safe-guarding Canadians. Since the terrorist attacks of September 11, we have recognized a new and immediate threat to our most basic security. I am proud to say that we have worked hard to be firm in the face of the dangers posed by international terrorism, but to be equally firm in our commitment to express our most basic values in our response. We have sought to protect our most basic freedom—freedom from fear—by passing new laws and adopting new procedures to address the ongoing threat of international terrorism.

We have worked to strengthen our laws and our capacity to anticipate and respond to this threat. However, we also believe that this threat demands that we work with our neighbours. We have done so through the Smart Border Declaration, through our leadership at the United Nations, and through our close links with the international law enforcement and intelligence community.

Seeking fairness in the emerging world order through new forms of international co-operation and dialogue is as much a part of our response to terrorism as new tools for law enforcement. It should make us all proud that this was done under Canada's leadership.

As a society, our aspirations are often expressed through laws. Criminal law has always been reserved as society's way to express our most serious outrage for behaviour that is unacceptable.

Today, however, I think we need to examine whether we are using the criminal law in the right way—whether we have found the proper balance between freedom and responsibility.

It is remarkable to me that, since Confederation, every parliamentary session has debated criminal-law bills. It means our criminal law has been built piece by piece. It is important to take stock and to ask ourselves whether the various amendments brought over the years still hold together as a comprehensive code.

Based on my experiences as Justice Minister and as a lawyer in private practice, I think we need to ask whether we have applied criminal sanctions both too much and too little. I know that sounds like a contradiction, but I will explain by talking about two files that have been in the news recently.

One area where I think that we may be using the criminal law too much is in relation to the possession of small amounts of marijuana for personal use.

Now don't get me wrong; we must continue to educate people about the harmful effects of smoking marijuana, and there should still be penalties for those caught using it.

And until the law is changed by Parliament, I will continue to vigorously defend it. But I do think that the time is right for us to debate whether the criminal law is the right tool to use to accomplish our goals.

The criminal law is a blunt tool; it is only effective if it is applied consistently and if it reflects true social consensus on an issue. I am troubled by the inconsistent application of the criminal law to the possession of small amounts of marijuana for personal use.

We know that your children or grandchildren may not be charged if they are caught in Toronto, but kids in small towns across Canada are being charged for exactly the same behaviour. This means that kids are ending up with a criminal conviction.

This can have a devastating impact on their lives—from the types of jobs they can get, to travelling or going to university in other countries, particularly the United States.

I think we need to question whether our approach of selective enforcement of the cannabis possession law has been effective.

One idea that is being considered is to have the police issue tickets to offenders. It is likely that if we moved into a ticketing regime there would actually be more enforcement of the possession offence. That has been the experience in Australia.

We might also be more likely to achieve our objectives by adopting a more aggressive public-education campaign about the dangers of marijuana use, and focus our enforcement efforts on traffickers and organized crime.

These are not easy questions, but I think we need to have this debate.

One area where it may be argued that we have too little criminal law now is the matter of holding corporate leaders and corporations to account for harmful behaviour.

We have all seen the stories about American corporate fraud on a massive scale, such as with Enron and WorldCom. And we have also seen the stories of small investors whose life savings and retirement dreams have disappeared, not because of some unfortunate disaster, but rather because some corporate leaders lost their moral compass and pursued greed over responsibility. This is not part of the Canada we want.

We have gone to the U.S. and England to talk to their experts. We have concluded that we need to strengthen our capacity to investigate and prosecute major corporate frauds and to make the penalties for such behaviour a real deterrent.

I am working with my colleagues—the Ministers of Finance, Industry, and the Solicitor General—on proposals to strengthen the law on corporate fraud and to introduce tougher penalties.

This could involve changes to the Criminal Code or it may require that we create an entirely new law. But either way, our message is clear: we as a society must protect the integrity of our markets and our investors, whether they have invested thousands or millions of dollars.

If there is one thing that makes us proud as Canadians, it is that we are ready to look out for one another, while at the same time we expect people to take reasonable steps to look out for themselves. Canadians are willing to share both benefits and burdens, and they see a strong role for government in doing this.

One of the most concrete ways that we express our commitment to fairness is through legal aid. In order to ensure a fair trial, we sometimes have to pay so that the person accused of the crime can be represented by legal counsel.

We need to continue this dialogue about what kind of legal system we want, and how we can best express our core values of access, fairness, and responsibility.

I said earlier that I believe Canadians are proud of Canada's tradition of embracing diversity and respecting differences. While many of us can take for granted that we "belong," there are always minorities whose sense of acceptance by us is much more fragile.

Today, we are debating this concept in many areas. Whether in our approach towards Aboriginal people, or new immigrants, or persons with a disability, we are renewing our commitment to try to find ways to create a community in which all can feel that they are accepted.

For gay and lesbian Canadians, the last few decades have seen rapid and monumental changes. When Pierre Trudeau declared that the "state has no place in the bedrooms of the nation," and changed our criminal law, he set in place a rapid evolution.

Today, gays and lesbians are formally protected against discrimination in employment, accommodation, and government services. Benefits for couples and families are generally extended to gay and lesbian partners and their children.

Social acceptance is increasing, though not guaranteed in all areas of life. So many of these members of our society are no longer forced to live in secret, to hide their most basic relationships.

But there is a debate about whether they can truly "belong" in our society when they cannot be married.

I am not here to try to take one point of view or the other. This is a matter which is before the courts in three provinces, and we have received judicial decisions that support both sides. But this is an issue which should not be left to the courts alone to solve. It touches so many people, so directly, that it calls for a full discussion among Canadians.

That is why I have asked the House of Commons Standing Committee on Justice and Human Rights to conduct hearings into this question so that ordinary Canadians can speak directly to their elected representatives on this fundamental issue.

I hope that the report of the committee will demonstrate the respect that we hold for one another and our willingness to debate difficult issues in a calm and reasoned way. I hope it will help us to find a solution that is right for our time.

We live in an age in which the world's cultures have become intertwined. We witness history being made live on television and exchange views with our global neighbours on the Internet.

We shop and sell our goods in a global marketplace. We strive for solutions in the international arena.

Our justice system is key to establishing Canada's credibility in the world. It helps define who we are as Canadians. And it helps establish our role in a global society.

Today, I have talked about our values of freedom through security, fairness and sanction, diversity and respect for differences. I think that these are elements of the Canada we want. Our continued willingness to debate these values and the laws which give them expression will ensure that we can leave to our children a country that will make them as proud.

Merci, thank you for your kind attention.

The appreciation of the meeting was expressed by Malcolm J. MacKillop, Director, The Empire Club of Canada.

Hugh Segal, President, IRPP (Institute for Research on Public Policy) and Dr. Henry Haddad, President, Canadian Medical Association.

March 27, 2003

The Hon. Jane Stewart

Minister of Human Resources Development, Canada

INVESTING IN CHILDREN IS AN EXCELLENT RETURN ON INVESTMENT

Chairman: **Ann Curran**
President, The Empire Club of Canada

Head Table Guests

Anne Fotheringham, Owner, Fotheringham Fine Art and Director, The Empire Club of Canada; John Zheng, Senior Student, North Toronto Collegiate Institute; The Reverend Vic Reigel, Christ Church, Brampton; Veronica Lacey, President, The Learning Partnership; Charles E. Pascal, Executive Director, The Atkinson Charitable Foundation; Professor Bonnie M. Patterson, President and Vice-Chancellor, Trent University; Bart J. Mindszenthy, APR, FCPRS, Partner, Mindszenthy & Roberts Communications Counsel and 2nd Vice-President, The Empire Club of Canada; David Pecaut, Chair, Toronto City Summit Alliance; The Hon. Margaret N. McCain, Former Lieutenant-Governor of New Brunswick, Co-Chair, "The Early Years" Report and Advocate for Children and Families; and Charles S. Coffey, Executive Vice-President, Government and Community Affairs, RBC Financial Group and Director, The Empire Club of Canada.

Introduction by Ann Curran

Years ago when my father was growing up in Ireland the Jesuits used to say: "Give me a boy till the age of seven and I'll show you the man."

Well, that was a long time ago. Societies and the role of family and education have changed significantly since then. During this time, there have been many reports and scientific studies tracking the development and education of children.

One excellent example is "The Early Years Report" and we are privileged to have one of the authors, The Hon. Margaret McCain, with us to day.

These studies are worth every penny because they enable us to better understand our children's development so that we can nurture and help them along the way. This is the warm and human approach to many of these studies. However there is another side, one that doesn't usually pop up first in people's minds but is just as important. Investing in children is an excellent return on investment."

Business leaders know that people are a company's greatest asset. This is no less true for our country. Because the children of today are the employees and business leaders of tomorrow, there is a strong return on investing in their future. Evidence is mounting that if Canadian businesses are to have the skilled workers they need to grow, we need to continue investing in our children.

Today our guest speaker will argue that investing in sound social policy has a profound and positive effect on our country's economy.

First however, let me tell you more about Minister Stewart.

On August 3, 1999, Prime Minister Jean Chrétien appointed The Hon. Jane Stewart Minister of Human Resources Development Canada. This department is at the cornerstone of the Government of Canada's social-development agenda.

She is convinced that our youth and adults need higher levels of skills than ever before and that lifelong learning is the key to individual and national prosperity in this knowledge-based economy. On February 12, she launched Canada's Innovation Strategy with Allan Rock, Minister of Industry. Ms. Stewart strongly believes that our ideas and knowledge are the driving force for innovation and the future of our economy and social development.

She also believes that we need to invest in the development of all Canadians, especially our children and youth. For example, in September 2000, an historical agreement was reached with the First Ministers on early childhood development, stressing the importance of supporting families in their efforts to ensure the best possible future for their children. Minister Stewart was also instrumental in extending the Employment Insurance parental benefits from six months to one year.

Minister Stewart has represented the Ontario federal riding of Brant since 1993.

She served as Chair of the National Liberal Caucus from February 1994 until being called to Cabinet as Minister of National Revenue in 1996. As Revenue Minister, Ms. Stewart's reforms increased fairness in tax administration, streamlined the department's operations and made it more transparent to ordinary Canadians.

Appointed Minister of Indian Affairs and Northern Development in June 1997, Ms. Stewart helped bring government closer to the Aboriginal peoples of Canada by allowing them to shape their own destiny through bold new initiatives including Gathering Strength and the creation of Nunavut.

On the international front, Ms. Stewart chaired the G8 Labour and Employment Ministers' Conference in April 2002. The meeting provided an opportunity to discuss common approaches to ensure citizens of the G8 countries have the tools they need to hold better jobs, gain higher incomes and maintain greater individual, social and economic security.

Ms. Stewart graduated from Trent University in 1978 with an Honours Bachelor of Science degree. Before entering public office, she worked as a human resources professional in both small and large companies across Canada and in the United States. Ms. Stewart's interest in public life came to her at an early age. Her father, Bob Nixon and her grandfather, The Hon. Harry Nixon, represented the provincial riding of Brant for a combined 70 years.

Ladies and gentlemen, I give you Minister Stewart.

Jane Stewart

Thank you for that generous introduction.

Members of the Empire Club, let me say thank you for this wonderful invitation to be here with you in this year's Centennial.

As I was signing the guest book and looking at the names in that extraordinary document, I noticed how year after year you have provided a venue for open public debate that allows us to explore together public-policy development here in Canada and right around the world.

Just recently, this group has been able to discuss the issues of the economy, justice, Canada's position in the world and the issues that the world is facing and their impact on us here at home. It's really an extraordinary opportunity and something to celebrate.

I am here as the Minister of Human Resources Development Canada. Today, I want us to turn our attention to social policy. In case you don't know it, as the Minister of Human Resources Development Canada, I'm responsible for administering close to 70 billion of your very hard-earned tax dollars every single year.

Seventy billion dollars. That's about half of the program spending of the Government of Canada. And it goes to vitally important social programs like our pension program, our Employment Insurance system, and other programs that we've been discussing here at the head table that are focused on people.

What I'd like to do is share with you some of my views around why a continued investment in social policy is so important for Canada as we enter this new millennium. Furthermore, I'd like to talk a little bit about how I think good social policies should be developed and implemented in a modern Canada. And then, of course, I want to talk to you about a particular area of social policy that we've had some pretty good success in over the past few years, and the programs we've developed in support of Canadian families and their children.

So why and how does social policy continue to be an important part of a vibrant growing Canada? Well today, as in the past, we think of our social programs and our social services as those which ensure social cohesion. This is still tremendously important for us in the modern world. We think of these programs as the glue that bridges the differences between the haves and the have-nots. And it's through social programming and social services that we exercise our belief in humanity and in democracy.

I mentioned our pensions' programs. We created those programs 75 years ago. And they have evolved. But, as a result of those programs, we've been able, along with a good economy and more people in the workplace, to reduce poverty among Canadian seniors from 28 per cent in 1981 to about 8 per cent last year. We believe that we should show respect to those who have given a lot to our country, and allow them to live in dignity in their later years.

These ideas—compassion, generosity, sharing, fairness and equality—are what motivate us as individuals and really, I believe, motivate our country. A great example of equality and fairness is our health-care system. In Canada, you have access to quality health care because you're sick, not because you're rich or poor. These aspects and bases for historical investment in solid social programming are as important today as they have been in the last 100 years.

But what's interesting is there's a changing dynamic about the importance of investing in people and our social programming. Seventy per cent of Canadian families are dual-income families. Building strong family policy is not only good for society, it is also good for our economy. The level of stress in the workplace is increasing unfortunately. But that means balancing work and family life is not only good social policy but good economic policy.

We are now in the knowledge-based economy. It is people and our ability to create and innovate that will drive our new economy. Investing in people, education, public education, and hoping that we can have more and more students like John to build the economy of the future. Social policy not only touches on our traditional values but is equally important to the values of competition, innovation and economic prosperity.

As I was sitting in the House last night thinking about what to say today, I realized we were voting on important pieces of social policy. I was signing a letter back to Hugh Segal in his capacity as president of the Institute for

Research and Public Policy and writing to Andrew Sharp who is the head of the Centre for Studies in Standards of Living. I was writing to thank them for sending me a copy of their latest document entitled "The Social Understanding of Productivity."

Social policy and economic policy marrying together. For those of you who have been in the field of social policy for years, you understand that social policy and economic policy are two sides of the same coin. It's essential today for us to continue investing in programs that some people in the past thought about as being nothing but a drain. Not any more. Never were they. But even more they are all about a gain.

I'm sitting here with Charlie Coffey, Executive Vice-President for RBC Financial. A businessman. A banker. But Charlie's figured it out. When I was the Minister of Indian Affairs, Charlie was encouraging and supporting investing in Aboriginal people so that they could connect with the economy. Now he is sitting beside Margaret McCain and the two of them are driving—along with so many others in the audience—a children's agenda. Recognizing that if we invest in our youngest citizens the payoff will be extraordinary. If we get it right in the early years, we have reduced costs to programs like health care, education and the justice system later on. It also ensures kids that when they get to school, they are ready to learn, and when they get a job, they're ready to work.

That's why I believe so strongly in the importance of social policy. Always have. But even more so today. I'm now Minister of Human Resources Development. I've been Minister of Indian Affairs, and started out as your tax collector. How lucky I feel having had those opportunities to get to know this great nation.

But in that context, ladies and gentlemen, I've crystallized in my own mind some fundamental principles that I believe we have to consider when we are developing and implementing good social-policy programs and services here in Canada. First and foremost, it comes down to sustainability. This comes from recognizing the importance of your tax dollars.

There's no point in us implementing new programs that we can't sustain. We want to avoid going ahead too fast, too soon, at the risk of maybe having to pull back because we can't financially afford the programs we've implemented, or because they aren't doing the job we expect. Canadians demand and deserve, as we introduce new programs, that they will be there for them, and that they can continue to rely on them.

In that context of investing, we know how research is foundational in the development, implementation and testing of the social programs and policies that we choose to make. Research is essential to assure us that we are working towards a need and a public good. But, as we implement the programs, we can test them and make sure they are giving us the outcomes that we expect to receive—sustainability, research and development and flexibility.

Gone are the days of one size fits all. We have got to build programs that are as flexible as the Canadian public is dynamic and different. I can tell you, because we built in flexibility, Canadian moms and dads can choose which parent is going to stay at home with their newborn or newly adopted child for a period of a year.

You may be interested to know that, after one full year of implementation, we have three times the number of dads spending some time with their newborn. I think that is an exceptional change in our circumstances.

Not only do we have to build flexibility into our programs, we've also got to be flexible in our service-delivery mechanisms. Canadians want those programs delivered in a way that makes sense for them—by telephone, in person, on the Internet, or through the mail. We've got to be able to respond, and we need to build programs that fit that kind of model.

Now listen, for me our programs have also got to be inclusive. It drives me nuts when we develop public policy for the majority and then, some time after, maybe never, recognize there are additional things that we have to do.

So, for example, Canadians with disabilities, Aboriginal people and new immigrants need to participate as much as other Canadians. I'm telling you, ladies and gentlemen, I would far rather go slowly so we all walk together than get the majority of Canadians much further ahead than other citizens who demand and deserve their full rights with members of this great country.

We also look at our programming and realize that it consists not only of passive measures such as income support. They have to be part of our programming, but we also need active measures. We see that in Employment Insurance, for example, where individuals through no fault of their own can find themselves out of work and, through the government, can find some income support so that these individuals can continue to be self-sufficient and provide for their families while they look for a new job.

But there's another piece of that puzzle, of course. And that is providing those individuals the opportunity to learn, to retrain and to continue their lifelong learning cycle to find a new job. That active/passive balance from my point of view is critically important in the development of good social policy.

Something else has changed in our approach as well. It's not acceptable nor is it practical for the ideas to be developed, created and then implemented solely by the Government of Canada or any other government for that matter. We have to do it in partnership. And we have to start right from the very beginning of the partnership. I'd far rather take more time in the early going when developing new social policy and get it right so that our implementation stage is faster and smoother than do it the other way around and risk never getting a piece of public policy implemented.

It takes those partnerships between and among governments, government departments, the private sector, the not-for-profit voluntary sector, educational institutions and individual Canadians to identify and then develop the appropriate strategies to respond to an issue of public need and public good.

Finally, we have to be responsive. It's incumbent on us to understand, to listen to Canadians, to appreciate what it is that they need, and back this up with good research and partnership and, in a sustainable fashion, build new programs that are flexible, inclusive, and make sense. With that said, I'll segue into sharing with you some of the results that we have had in the area of family and children's policy.

I know the table over here has been concentrating on the importance of early learning and childcare for a good long time. And they will remind me that it's about time we respond to the issues facing Canada's families and their children. Ten years ago it was our party in our first Red Book that talked about the importance of increasing the number of early learning and childcare spaces.

In the ensuing years there's been a lot of coalescing happening. In the context of research and development, people like Margaret McCain and Fraser Mustard have developed and provided us with the research that talks about the importance of the early years. And how critical it is for us to help our children have what they need in those early years while their physiology and their cognitive processes are developing.

We've got research that has been following child poverty. As you know, in the course of the '90s, our record was not good. But that research is pushing us to act. Research in the area of family work balance is telling us that Canadians are waiting for childcare and we have got to move the yardsticks. The research is there. And so is the awareness.

But something else has changed too. And it is partnerships. When you're in government, if you don't want to make investments, one of the best things that can happen is if your stakeholders are not coalesced or aligned and you can say, well we can't do that because that's not what this group wants. But, man oh man, when the partners and stakeholders come together and decide jointly that they will push an agenda (as they did in the area of children and family policy), boy, the sky is the limit.

There was a partnership forum that actually encouraged and led us to the creation of the National Children's Agenda. It included government, stakeholders, other professionals and individual Canadians. That agenda, if you get a chance to look at it, is extremely comprehensive as well as inclusive.

What's interesting is that, as the agenda was being developed, there were some other interesting partnerships evolving. The one I think about most is the partnership between the Government of Canada and the provinces and territories. One of our real challenges in the area of social policy is that often the services lie in the jurisdiction of the provinces and territories. Rightly so. How does the Government of Canada influence that without getting into a battle, creating duplication and overlap?

Well, in the context of children and family policy, we found a solution that led us to what is arguably one of the most significant new social programs in Canadian history. And that's the National Child Benefit, which is basically a system where the Government of Canada provides income support to take children off the welfare rolls of the provinces and territories.

With their savings, the provinces then invest in services for low-income families with children. This spares them the moral dilemma of leaving social assistance for a low-paying job because, in so doing, their children lose the services they can get under the social-assistance program.

With this partnership between the Government of Canada and the provinces we have been working to pull down the welfare wall. To make work pay. In the context of our traditional values showing compassion, making sure no one gets left behind, we are encouraging the economic value of attachment to the workplace. It's quite honestly a simple model that is working.

It allows us to be responsible and reflective of the great Canadian federation. We have different levels of government working productively together for the sake of our common citizens, in this case, our youngest citizens and their parents.

I was thrilled in this last budget that significant new monies were identified, reaching $965 million per year by 2007, to again incrementally add to the National Child Benefit. For those of you who have been worried about the clawback, and not all of you will understand that, these new monies will get us to the point of having 90 per cent of children off welfare. And, at that point, I don't have any problem saying to the provinces we expect you to integrate your benefits to take some of these new monies, provide them to your social assistance recipients, all the while being cognizant of the fact that we don't want this welfare wall to go back up. But, in the context of fairness, let's build a stronger system.

I am very proud of the fact that we have doubled parental benefits. And here again we've got a classic example of doing good social policy because it's right for humanity. We are looking after our children and making sure their parents are there. But it's also good for the workplace. As I mentioned at the outset, 70 per cent of Canadian families are dual-income families. Parents today have 40-per-cent less time with their children than they did even in the early '80s.

Our research tells us that while early learning and care is good for children's development, the bonds formed between parent and child in the first year of life are critical. And so this model responds to that kind of research and the needs of Canadian parents.

We've also been working with the provinces to expand to a broader platform of services for all families and children. In the year 2000, we did sign a landmark Early Childhood Development agreement again with the provinces where the Government of Canada provides money for the provinces to invest in the four priority areas of servicing. The process requires accountability and reporting, reflective of the principles that I discussed in terms of developing good social policy. But again, over the course of time, we found there's an area where we can really turn on the jets. And this brings me to the case of early learning and childcare.

One of the biggest challenges that families face in the workplace is ensuring that their children have reliable, safe care. It's an expensive proposition to create new spaces, to pay our very valuable childcare providers, and to provide the subsidies so all parents have access to childcare. The Government of Canada recognized that this challenge was under provincial jurisdiction, but it was also important that it should make a contribution.

A few Thursdays ago I sat at a table with provincial and territorial ministers and we got a deal: $900 million will be transferred to the provinces and territories to help them expand regulated early learning and childcare. For me, that is a fundamental breakthrough. The table will tell you it's a foot in the door, but it's a great foot in the door. It is important for us to have a system in place that is responsive to parents, and ensure that our kids, whom we know are able to learn at a very early age, can get those early opportunities to socialize, to learn and to develop.

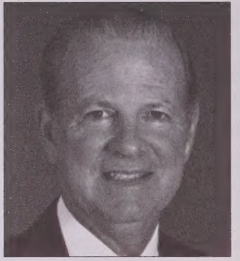
Ladies and gentlemen, I'm very proud of the infrastructure, the human infrastructure that we have been building together in support of our children and our families. For me, in the context of the role people play in our new economy, that investment is as important if not more important than investing in streets and roads, and the other kind of traditional infrastructure that businesses rely on governments to provide so they can do their work.

I'm thrilled that we have been able to encourage a larger partnership from really all walks of life to focus on our children and our families, and to focus on the importance of social policy. Because, in my mind, it is critical to our success and our future as a nation. Now, in closing, I know these are very difficult times. Believe me, I feel the pressure as one of your representatives in Ottawa about the discussions and the decisions that we face every day in the global context.

But when we get a minute, a quiet minute, to reflect on where we are and what we have and our knowledge that by continuing to invest in our values and support humanity and democracy and also see how those investments put us in a competitive position in improving our quality of life, increasing our standard of living and our economic prosperity, we can breathe easy. It's not simple work. It will never be over. It's going to take every single one of us to keep pushing the agenda. But it's worth it. Because it will ensure that we continue to live in what is arguably one of the best countries in the world—our Canada.

Merci.

The appreciation of the meeting was expressed by Charles S. Coffey, Executive Vice-President, Government and Community Affairs, RBC Financial Group and Director, The Empire Club of Canada.



April 2, 2003

The Hon. James A. Baker III

Senior Partner, Baker Botts and Former Secretary of State for The United States of America

COMBATTING TERRORISM AND WEAPONS OF MASS DESTRUCTION

Chairman: **Ann Curran**
President, The Empire Club of Canada

Head Table Guests

Larry Stout, CTV News and Honorary Director, The Empire Club of Canada; David A. Edmison, President, Martin Lucas & Seagram, Past President, The Empire Club of Canada and Chairman, The Empire Club Foundation; The Rev. Kim Beard, Rector, Christ Church, Brampton and Director, The Empire Club of Canada; Francisco Gomez, Regional Vice-President and General Manager, The Fairmont Royal York Hotel; Paul Cantor, Managing Director, Russell Reynolds Associates; Meir Romem, Consul General of Israel; The Hon. Barbara McDougall, OC, President and CEO, Canadian Institute of International Affairs and Former Minister of External Affairs; Gareth S. Seltzer, President, TWS Private Management and Past President, The Empire Club of Canada; Tony van Straubenzee, Associate, Insite Institute and Past President, The Empire Club of Canada; Antoinette Marwitz, Consul General of the United States; The Hon. Michael H. Wilson, PC, Chairman and CEO, UBS Global Markets and Former Minister of Finance; Robert L. Brooks, Executive Vice-President, Investment Banking, Scotiabank and Past President, The Empire

Club of Canada; and Timothy Hearn, Chairman, President and CEO, Imperial Oil Limited.

Introduction by Ann Curran

I would now like to introduce to you a person who was instrumental in arranging today's luncheon and who is a great friend of The Empire Club of Canada—The Hon. Michael Wilson.

Mr. Wilson is Chairman and Chief Executive Officer of UBS Global Asset Management Canada. Prior to this he was Vice-Chairman, RBC Dominion Securities, responsible for senior client relationships and advice to Canadian and international companies and governments. He also had a distinguished political career with senior cabinet posts in Finance, Industry, Science and Technology and International Trade. On top of this he has been active in a number of professional and community organizations such as the Centre for Addiction and Mental Health, Neuroscience Canada Partnerships, The Canadian Club of Toronto and the Canadian Council for Public-Private Partnerships.

Mr. Wilson has been a close friend of Mr. Baker's since his days in cabinet, having worked with him on the NAFTA agreement. He was also instrumental in bringing Ronald Reagan here in 1988—one of Tony van Straubenzee's, as well as the Empire Club's biggest and most memorable events.

Ladies and gentlemen, please welcome Mr. Michael Wilson to introduce on behalf of The Empire Club of Canada our very special guest speaker.

Introduction by Michael Wilson

We are very fortunate indeed to have as our guest speaker highlighting the 100th Anniversary of the Empire Club, The Honourable James A. Baker, III. Mr. Baker has had a remarkable career in public service and comes to us today at a critical point in history. He has served in senior government positions under three United States Presidents: under President Ford as Under Secretary of Commerce, President Reagan as Chief of Staff and then Secretary of the Treasury and Secretary of State under President George Bush. Mr. Baker led presidential campaigns for Presidents Ford, Reagan and Bush over the course of five consecutive presidential elections from 1976 to 1992.

Jim Baker is a good friend of Canada. I saw this firsthand when we served together when he was Secretary of the Treasury and I was Minister of Finance. He played a critical role in the conclusion of the Free Trade negotiations in 1987 and went the extra mile to resolve the impasse over the dispute settlement mechanism, which was so important to Canada. Those negotiations concluded at 20 minutes to midnight on the day of the deadline for the negotiations. Without the flexibility, which he displayed at that time, we might never have had a Free Trade Agreement.

Mr. Baker is also Honorary Chairman of the Baker Institute for Public Policy at Rice University. This institute makes an extraordinary contribution to public policy issues having recently published positions on a number of very topical issues ranging from post-conflict policy in Iraq, Latin American economic turmoil and the war on terrorism.

Mr. Baker continues to lead a very busy life. Some years back I bumped into him in a hotel lobby in Indonesia where he and his wife were waiting to leave for the airport to fly to New Delhi having just arrived in Indonesia from Moscow.

In spite of this busy schedule he and his wife Susan find time for their large family of eight children and 14 grandchildren as well as their wonderful hideaway near a terrific trout stream in Wyoming.

Mr. Baker's broad experience in international affairs carries from the Cold War period through a period of regional hostilities to the current challenge of terrorism. His perspective over this range of challenges is unique, having served in public office during the fall of the Berlin Wall, the first Gulf War and the challenges of Middle East Peace where he was very active as Secretary of State. In 1997 he served as the personal envoy of United Nations Secretary General Kofi Annan to mediate during the dispute over the Western Sahara.

It is from this broad and strategic perspective that Mr. Baker will speak to us on "Combating Terrorism and Weapons of Mass Destruction." Please join me in welcoming The Honourable James A. Baker, III, 61st Secretary of State for the United States of America.

James Baker

Thank you, Mike, for that introduction. Ladies and gentlemen:

Some weeks back, I was asked to speak on combating terrorism and weapons of mass destruction. While the war on terrorism continues and is closely related to the question of what we do to prevent the development and proliferation of weapons of mass destruction, I will, for obvious reasons, concentrate on that second issue.

Before I begin, however, allow me to indulge in some memories.

Fifteen years ago in June 1988, I was in Toronto as part of the U.S. delegation to the G7 Economic Summit in Toronto. Brian Mulroney was Prime Minister of Canada, Ronald Reagan was President of the United States, and Margaret Thatcher was Prime Minister of the United Kingdom. I then served as Treasury Secretary.

That 1988 G7 summit was, in some sense, a celebration of a world economic transformation that had been triggered by the free-market, free-trade policies of Canada, the United States, and Great Britain. This economic transformation was confirmed in a larger sense one year later by the fall of the Berlin wall, followed three years later by the collapse of the Soviet Union. In many ways, the 15 years that followed that summit have been ones of immense optimism marked by the spread of democratic and free-market ideals to corners of the world unimaginable in 1988.

But not all the changes since then have been for the better. Indeed, my very topic today is a testament to an unhappy transformation of a different sort—the rise of global terrorism and the distressing possibility that those who killed thousands yesterday with hijacked airliners may try to kill tens or hundreds of thousands tomorrow with nuclear, biological, or chemical technologies. At a very important level, the war in Iraq is limiting the possibilities that this terrible nightmare might become a reality.

At the outset, let me make one thing very clear. I know the policymakers in Washington very well, and I talk to them from time to time. But I am speaking for myself today and not for the administration.

My views are those of a private citizen.

To date, the allied performance in Iraq has been on "track" according to the President and the Pentagon. Progress on the ground is said to be on schedule. Of course, even one death of an allied serviceman or woman is one too many. But, given the scale of the operation, allied casualties have been low. War is always uncertain.

But there can be no doubt about this conflict's final outcome. The United States and its allies will win it—and win it convincingly.

But I am not here to discuss military strategy, a subject on which I can claim no special expertise. Anyway, one thing we don't need right now is another armchair general. Rather, I would like to focus on how the United States and its allies can ensure not only that the allies win the war but that we also win the peace.

Make no mistake about it: "Winning the peace" makes the allied military efforts more difficult. This is because, in addition to defeating Saddam's army, the allies must to the extent possible limit civilian casualties and minimize damage to the country's infrastructure. And the allied military deserves great credit for its success thus far in achieving these additional objectives.

But these are just the first steps in winning the peace. What should the United States and the allies do next?

Fortunately, we have a "road map." The Council on Foreign Relations and the James A. Baker III Institute for Public Policy of Rice University recently published "Guiding Principles for U.S. Post-Conflict Policy in Iraq."

The report's most important point is that the allies ought to avoid imposing a solution on Iraq from the outside. Reconstruction models for post-war Japan and Germany are unhelpful because, as "Guiding Principles" says, we want the Iraqis to be "a liberated, not a defeated, people." This argues against a long-term U.S.-led occupation or U.S.-imposed post-war government.

Instead, the Iraqi people should take charge of their own country as quickly as possible. At the same time, the allies should promote a vision of a representative Iraqi government committed to federalism, human rights, a free-market economy, peace with its neighbours, and the absence of oppression of its citizens.

In the first few months, however, there will be little alternative but to put an allied military commander in charge of an emergency government. Chaos will follow unless the allies quickly establish law and order, and begin dismantling Saddam Hussein's system of repression. The allies will need to begin identifying and bringing to trial war criminals and human-rights violators, including those responsible for any atrocities against allied troops in the current conflict.

Iraqis will also need food, water, and medical assistance. Humanitarian relief operations should begin as soon as possible. Last Friday's decision by the UN Security Council to resume the "Oil for Food Program" will make this vital task much easier. Canada, needless to say, can play an important role in this relief effort.

War may also drive refugees across Iraq's borders. To mitigate the effects, the allies must co-operate with Turkey, Iran, and others in the region.

Iraq's territorial integrity and internal cohesion must be protected. One potential threat is neighbours with cross-border interests, particularly Turkey and Iran. There is the risk that Turkish troops will move into northern Iraq to prevent a massive influx of Kurdish refugees and to forestall the creation of an independent Kurdistan. To date, Turkey has wisely avoided entering Iraq in a substantial way. It is important that the United States and European countries continue to urge restraint in Ankara.

Perhaps an even greater risk is internal instability—the anarchy that might accompany an outbreak of ethnic and political score-settling.

Allied troops will be needed in all major population centres. At the earliest opportunity, the military governor should surrender control to an interim government that would be internationally supervised but run by Iraqis—a government of, by, and for Iraqis.

As President Bush and Prime Minister Blair made clear in their Azores Declaration on the future of Iraq, the United Nations should have an important role. This is especially true in such areas as humanitarian relief. But talk of a UN administration in Baghdad is premature. There is still a war going on. And the last thing Iraq will need is a cumbersome, politicized UN administration.

If all goes well, a fully sovereign Iraqi government can assume control as soon as possible, although this could take a year or more to occur.

Iraq will also require a new constitution. Iraqis should write it, but the world community reasonably may condition its recognition on certain basic principles —democracy, fair representation for all elements of Iraq's diverse population, true power-sharing, respect for human rights, and a solemn pledge not to build weapons of mass destruction.

The Iraqi economy must also be revived and Iraqi ownership and control of oil resources must be guaranteed. The U.S. and its allies should support—not direct—Iraqi efforts to restore production. Suspicion of U.S. motives in post-war Iraq is misplaced. The allies are not in this war for oil, territorial conquest, or financial profit. Washington and the allies should therefore be very careful to avoid any impression that we see Iraqi resources, especially oil, as the "spoils of war."

The full costs of post-war reconstruction are unknown. Estimates run between $25 billion and $100 billion. Some of this will be covered by Iraq's own oil revenues. But Iraq alone cannot be expected to foot the entire bill. The international community should share the burden.

The economic reconstruction and political rehabilitation of Iraq are an enormous undertaking, fraught with risks. But if they are done and done well, the region and the world will be safer and more prosperous.

Military victory and a successful reconstruction, however, will not be enough for the United States and its allies to ensure that terrorists and extremists are weakened, not strengthened, in the aftermath of the war.

Washington must also begin the process of re-engaging countries—notably France, Germany and Russia—who played unhelpful or even destructive roles in NATO or the UN during the lead-up to the war. Here, let me stress two points: first, that it is only right that the United States demonstrate its disappointment with these countries by word and deed; and, second, that reconciliation is a two-way street.

But Washington cannot let disappointment cloud its judgment. NATO and the UN remain important, useful organizations. And France, Germany and Russia—whatever our differences on Iraq—are invaluable allies in the war on terrorism. So, I might add, is Canada—despite the decision of the current Canadian government not to support us in Iraq.

Looking forward, the United States and its allies will also need to achieve substantive progress towards resolution of the Arab-Israeli dispute. As all of you know, the tragic conflict between Israelis and Palestinians continues to elude resolution.

But I believe that there exists a window of opportunity similar to the one that existed in the aftermath of the Gulf War in 1991. At that time, we used that opportunity to convene the Madrid Peace Conference, the first-ever face-to-face meeting of Israel and all of its Arab neighbours.

Today Washington has a similar vehicle, in the form of the so-called "road-map" made public by President Bush two weeks ago, that can help move the stalled peace process forward. So, too, will the appointment of the moderate Mahmoud Abbas as Palestinian Prime Minister.

Of course, the United States cannot "create" peace in the Middle East; only Arabs and Israelis can do that. Washington's responsibility is to help them. Above all else, we need to remember certain truisms about this dispute:

1. Only the U.S. can effectively act as an honest broker between the parties.
2. There can be no military solution to this conflict.

3. A political process and dialogue are essential, and whenever the political process breaks down, there will be violence on the ground.
4. And this Catch-22 applies to the dispute: Israel will never enjoy security as long as she occupies the territories, and the Palestinians will never achieve their dream of living in peace in their own state as long as Israel lacks security. It's a tragic version of the old chicken-and-egg problem.

Land for peace under United Nations Security Council Resolutions 242 and 338, therefore, is the only basis upon which the dispute can be settled.

Any decision to reopen the "road map" to substantive amendment, for instance, is an open invitation to interminable delay. And there should be no conditions whatever to Israel's obligation to stop all settlement activity.

The United States must press Israel—as a friend, but firmly—to negotiate a secure peace based on the principle of trading land for peace in accordance with UNSC Resolution 242. And the United States must keep up the pressure on the Palestinian authority as well, particularly by requiring a 100-per-cent effort to stamp out terrorist violence. But the bottom line is this: the time for talking about a "road map" is over. We have one. And, when the war is over, we need to begin using it.

Let me turn to another area where we need a "road map." And that is the threat posed by North Korea—a hostile country that now has nuclear weapons and soon could have more. Indeed, some critics of the administration's policy towards Iraq have suggested that the United States has gone after the wrong target.

My friends, the implication that Washington should have ignored Iraq because of North Korea is exactly backwards. North Korea is "Exhibit A" for the proposition that appeasement does not work. It is proof that waiting gives rogue states the time and space to develop weapons of mass destruction. And it demonstrates that, when such states do develop these weapons, the possibilities for effective diplomatic and military responses are sharply reduced.

Why is North Korea out of control today? Because the United States allowed itself to be "blackmailed" in 1994 through the so-called Framework Agreement we entered into with North Korea at that time.

North Korea promised to freeze its nuclear program and comply at some unspecified time with international nuclear safeguards. In return for paper promises, the United States supplied them with fuel oil (courtesy of U.S. taxpayers) and began building two light-water nuclear reactors to provide electricity.

Meanwhile, the North Koreans never complied with the international standards. In fact, they started a secret new program to develop uranium-based weapons and now have reactivated their original plutonium nuclear program.

So what should the United States do now?

Brent Scowcroft, my colleague from the first Bush administration, has some good suggestions.

His key point is that enriching plutonium is an absolutely unacceptable threat to U.S. and allied security. And we should make that point absolutely clear.

If North Korea freezes all nuclear activities in a verifiable way, however, Washington should be willing to offer security assurances and to help bring North Korea into the community of nations, through trade and communications.

The United States should not worry too much about the form of the discussions. Direct talks are not a concession, but allowing plutonium to be reprocessed is. So the administration should be prepared to hold direct talks with North Korea.

At the same time, however, the United States and the world community should never reward North Korea again for repeating old promises. The bottom line is clear: No more blackmail!

By providing a clear diplomatic solution and a "road map" to get there, the United States can mobilize an international consensus on North Korea.

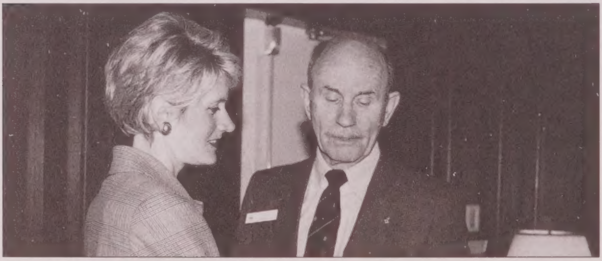
But it will require leadership to do so—the sort of leadership that I believe my country is showing in dealing with Iraq, and which I hope it will show in taking advantage of the window of opportunity after the war to make peace between Arabs and Israelis.

Iraq, North Korea, the Arab-Israeli dispute, and tensions in our old alliances (not to mention the war against terrorism) challenge the United States, working with its friends, to provide leadership in a dangerous and complex world.

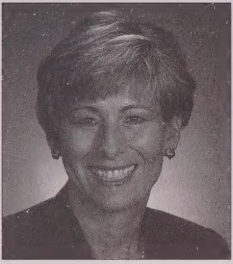
And, as the war in Iraq so dramatically demonstrates, leadership is not about making easy or popular decisions. It is about making right decisions, no matter how difficult they might be.

Thank you.

The appreciation of the meeting was expressed by Tony van Straubenzee, Associate, Insite Institute and Past President, The Empire Club of Canada.



Verity Craig, Associate, Carmichael Birrell & Co. and Director, The Empire Club of Canada and LCol. A. G. (Sandy) Cameron, CStJ, CD, AdeC, Senior Aide de Camp to the Lieutenant-Governor, Past Chairman, Good Neighbours' Club and Director and Chairman of Protocol Head Table Room, The Empire Club of Canada.



April 3, 2003

Karen Murton

Principal, Branksome Hall

LESSONS LEARNED: HOW GOOD SCHOOLS BECOME GREAT

Chairman: **Ann Curran**
President, The Empire Club of Canada

Head Table Guests

Anne Fotheringham, Owner, Fotheringham Fine Art and Director, The Empire Club of Canada; Ewarama Sackey, Student, Head of Senior School, Branksome Hall School; Grant Kerr, Associate Minister, St. Paul's United Church, Brampton; Lindsay Fleming, Student, Head Girl, Branksome Hall School; Wendy Cecil, Chair, Branksome Hall Board of Governors; Michael J. Murton, President, Murton & Company Inc.; David A. Edmison, President, Martin Lucas & Seagram Investment Counsel and Past President, The Empire Club of Canada; Mary Hallward, Executive Vice-President and Managing Director, McLean Budden and Alumni, Branksome Hall School; and Michael G. Locke, Area Vice-President, Commercial Banking (GTA), Scotiabank.

Introduction by Ann Curran

As I sat last night preparing for today's luncheon I was struck by the parallels of The Empire Club of Canada and Branksome Hall.

Now I know what you're thinking: "What does the Empire Club, that for many years described itself as an old boys' network, have to do with a private girls' school?"

Well, try to imagine what Toronto would have been like 100 years ago.

A few blocks from here was Webb's Restaurant, a popular spot for influential gentlemen of law, business, education, the clergy or medicine. A group of learned men that feared that Canada may sever ties with Britain formed an organization to educate and inform members about important issues regarding Canada and the British Commonwealth.

About the same time, a few horse-drawn, motor car or new electric trolley blocks away, Margaret Taylor Scott was at 102 Bloor Street East opening the doors of her new girls' school—Branksome Hall. After visiting girls' schools in England, Germany and the United States, she was ready to combine the best of their examples in a school of her own.

One hundred years later both institutions have survived and thrived. Both have outgrown their original premises and expanded upon their mandate to educate and inform.

Many students and alumni of Branksome are members of the Empire Club and of course both institutions in their centennial year are headed by women.

So, today we have the pleasure of hearing from Karen Murton, Principal of Branksome Hall on "Lessons Learned: How Good Schools Become Great."

Intuitively, we all understand that the educational experience is about more than learning the three "Rs." Yet, how much responsibility should schools bear today for extending education beyond academics? And, if this is their role, how can schools best use the resources at their disposal to build a respectful, engaging, safe, and academically stimulating environment? How can they develop a model of care tailored to students' needs? How can schools create a culture of excellence that takes their unique communities into account?

Karen Murton, Principal of Branksome Hall since 1998, has been providing educational leadership as both teacher and administrator for almost 20 years. She has been principal of A.Y. Jackson Secondary School, vice-principal of Victoria Park Secondary School and Lawrence Heights Middle School and a teacher in both the public and independent school systems. She has an impressive CV but I thought an excerpt from Branksome's centennial book, "The Road Well Kept," might better describe why this woman heads one of Canada's leading independent girls' schools.

"...The bottom line is "accountability," a word Karen Murton uses so frequently it deserves a ceremonial flag of its own, and she considers herself as accountable for her performance as anyone else. She is frank and pragmatic. She welcomes constructive criticism and encourages open, informative communication; she submits a detailed report to the board of governors at every meeting, sends frequent letters to parents and polls parents, alumni and students regarding their level of satisfaction with the school. Karen works a 12-hour day, attends after-school events, hosts regular breakfasts for the prefects and, in the middle of the night, jumps out of bed at the sound of sirens or screeching tires. "If there's a false fire alarm, a car accident, I'm out there on the street," she says. "It's my responsibility. It's good to live on campus. The girls know: 'She's here for us.'"

Karen will share her insight into the elements of what makes good schools great. Drawing on her extensive experience within both the public and independent school systems, she will discuss fundamental principles designed to help students from all walks of life strive to achieve their full potential.

Karen Murton

Approximately three weeks ago I met Elspeth and Agnes Fairbairn for the first time.

I was in England as part of our school's centennial celebration and a group of us from the school visited Branksome alumni in London and surrounding towns. It was also my first trip to The Sherborne School for Girls in Dorset—a school steeped in Branksome history.

Our centennial trip was a huge success in many ways—but what stood out for me as most significant was the loyalty and genuine love that so many of our alumni expressed for Branksome Hall.

But who are Elspeth and Agnes Fairbairn, and why are they important to us this afternoon? During the Second World War, Branksome Hall welcomed hundreds of young girls to the school who became known affectionately as our English War Guests. They came to Canada, as it was a safe haven, particularly when the threat of Germany invading England was on everyone's mind. Branksome's

War Guests came from a variety of schools, with over 50 girls from the Sherborne School, alone.

How young English girls came to Branksome and to Canada is a story in itself. Many of them were here for four or five years. But as Elspeth and Agnes explained to me: "The principal called our parents and told them that they had 48 hours to make a decision. There was a ship sailing for Canada and there was room for us as students. Our principal encouraged our parents to send us as the dangers of the war were everywhere. She had found a school in Toronto, Canada where we would receive a fine education and live safely until the war was over."

Elspeth was 11 at the time and her sister just a few years older. Well, Elspeth and Agnes arrived in Canada, found their way to Toronto and finally to Branksome Hall.

The year was 1940. They did not see their parents again until 1944.

Now, one of the best parts of this story is that I heard it firsthand at Elspeth's home in Marnhull, Dorset. On our way to tea at her home, we travelled down winding, narrow roads, past stone fences looking for the house named Vale Cottage on Ham Lane—but there was no doubt that we were at the right place when we saw a sign with our Branksome Hall school motto, "Keep Well the Road," hanging from one of the stone fences.

Elspeth and Agnes greeted us wearing their Branksome Hall pins on their blouses and as we were ushered into their home, the first thing we saw were scrapbooks filled with newspaper clippings and photos from Toronto newspapers in the 1940s. Needless to say, it was an afternoon spent going down memory lane in more ways than one.

Elspeth and Agnes are part of a group of over 100 English War Guests who attended Branksome Hall during the Second World War. I met many of them during my visit to England. Their passion for the school is extraordinary and their memories are lasting; they remember the good teaching and they vividly recall the names of their teachers—those who provided them with a comprehensive academic program. Every war guest I met remembered the principal—the decisive and energetic Edith M. Read. Every alumnus felt strongly that she still belonged to the distinctive culture of Branksome Hall.

Good teaching essentially means good teachers and curriculum; strong, decisive leadership and a distinctive school culture. This is what the alumni in England remembered about their years at Branksome Hall.

These are the building blocks for great schools.

As I look out into the audience, I see many educators; some are current colleagues and many are people whom I have known from my previous schools. I see many in the audience who work in the corporate sector; and there are those of you who work in "not-for-profit organizations." I would comfortably guess that many of you are parents. Lastly, and may I say fortunately, we have many students in our audience today. It is always fun to get a glimpse of Canada's youth and its future!

There is one thing that everyone of you has in common—and that is a school experience.

There is no a recipe for making good schools great. No two institutions are the same, and no blueprint exists to guarantee educational excellence. But if everyone is this room were to reflect back on their school memories, I guarantee that you will find that at least one of the building blocks for great schools comes to your mind—good teaching, sound leadership, and a distinctive school culture.

Frequently, I will have candidates whom I am interviewing for teaching positions at Branksome thank me for giving them so much time when I meet them in the final stages of the interview process. My reply is always the same thing: "Hiring good teachers is the most important thing that I do. You are the front-line people: You can make it happen for our students. Without you, the school day does not happen."

In "Schools of Hope," the author Daniel Heath states: "When teaching becomes a job, not just teachers, but, more importantly, students, risk being hurt every day they enter school. Teaching is a calling and the individual teacher, not the principal or supervisor, is responsible for his/her own fulfillment and happiness in this profession."

As a school principal, my job is to ensure that teachers are knowledgeable, qualified, and caring. This means teachers understand and have a passion for the topics they teach, for the students they teach, and that they approach both with respect.

Great schools work with a model of care that all teachers understand and support. Like so many other elements of building school excellence, the model of care will be different in every school.

At Branksome Hall, one way that we care for our students is through our advisor program. Right now, I have 10 girls in my advisor group. I began working with them when they were in grade nine and this is our second year together. I will be with them until they graduate. Advisor time is one of the best parts of my week, and I marvel at how much they have changed in the two years that I have known them.

The advisor system is not rocket science; it simply works. Think about it—meeting with 10 fabulous students once a week, joining them for special community service projects, participating as a member of their intramural sports team and (as the Branksome girls who are in the audience can attest) making sure they have food at every meeting. I know a lot about my girls and about their families. I monitor their academic progress, their attendance, and their co-curricular commitment. I chat with their parents and teachers; it is a model of care that works and one that grows stronger as these girls move closer and closer to their graduating year.

Caring for students becomes even more important in situations where parents may not have the extra time to spend with their children, or when families arrive as new immigrants to our city. During my years as a vice-principal at Victoria Park Secondary School, what I remember most is the diversity. At Vic. Park we had a population of approximately 1,200 students in grades 9 to 12. The student body was diverse (75 different nationalities) and the school offered programs to both students and adults.

What I learned at Vic. Park was that when new immigrants settle in their neighbourhood, the first place they come to is the local school. In North York, we were fortunate to have the services of the multicultural consultants who came from a variety of countries and they were able to speak the language of the family who was new to our school. These are the people who made the difference. They were the first step in a model of care that strove to help new immigrant families communicate with their new school, receive an ESL program that was best suited to their needs and adjust to life in a new country.

Great schools ensure that the teaching environment includes the ongoing education and evaluation of faculty. Great schools must put money, time, and investment into its faculty and provide teachers with the opportunity for training, growth, and learning. At Branksome Hall, we take professional learning seriously and we have framed our teacher training around curriculum. We have focused on best practices in student assessment and evaluation, infusing technology into the curriculum and developing critical thinking skills. These are just a few of the professional-development priorities for our school.

Teachers in great schools believe, beyond the shadow of a doubt, that all students can learn. They understand the notion of multiple learning styles, which, stated simply, means we all learn differently. Teachers in great schools address these various styles of learning through different approaches to instruction and through the use of creative and varied ways of testing and assessing what students have learned.

In her book, “The Right To Learn,” Linda Darling-Hammond describes multiple learning styles as a complex mix of intelligences that are developed over time in cultural contexts and used in various ways. Hammond contends that traditional schools have often sought to deny or subordinate intellectual diversity to the demands of narrowly drawn standardized curricula.

Fortunately, more and more today, we see great schools where teachers are using a wide range of teaching strategies in a reciprocal process that demands intimate knowledge of students and how they think.

Great teaching does not exist without great curriculum. But the word itself may need some explanation: Curriculum, in very simple terms, is what students learn, how they learn it, and how we, as educators, determine if they have learned it.

At Branksome Hall, we are introducing the International Baccalaureate as our primary course of study. In this program, our girls receive a liberal arts education as the foundation for their learning. They participate in inquiry units of study that direct them to ask questions and to solve problems of knowledge through independent research, group work and by sharing and demonstrating what they have learned.

In grade six our students examine the topic of injustice by framing the questions that are most important to them as individuals, researching cases of injustice around the world and sharing their findings through conferences and presentations. In grade 11 biology, the inquiry unity of study on bioethics demonstrates to me that our girls are lifelong learners and informed participants in local and world affairs.

We are confident that our school is directed by a curriculum that is preparing young women to meet the challenges of an ever-changing world and that caring and knowledgeable teachers support them.

At Branksome Hall, I am the seventh principal. You may recall in my earlier remarks that this is our school's centennial year. Do the math and you will realize that for a school with a 100-year history, we have had very few women in the leadership position as school principal.

Edith M. Read, Branksome Hall's second principal led the school for 48 years. Without a doubt, Edith's leadership provided the blueprint for the five principals who have followed in her footsteps. In 1906, the school owned no land and no buildings. When Edith retired in 1958, Branksome Hall consisted of 13 acres of land and 14 buildings in the heart of Toronto, Rosedale—all thanks to the purchases and acquisitions of land by Miss Read.

In today's independent schools, we no longer see principals retiring after 48 years; however, there are some significant messages from Edith Read's leadership that I believe are still at work today in making good schools great.

In his book, "Good to Great," author Jim Collins writes about level-five leaders who "build enduring greatness through a paradoxical blend of personal humility and professional will." The two key characteristics that these leaders possess are true humility and a deep commitment to the health and advancement of the total organization.

These are leaders who channel their ego needs away from themselves and into the larger goal of building a great company. It's not that such leaders have no ego or self-interest; indeed, they are incredibly ambitious but their ambition is first and foremost for the institution, not themselves.

I cannot think of a better example of a principal who demonstrated ferocious ambition and directed it all toward her institution, other than Branksome's Miss Read.

Many of you may know that instead of the shady paths and rolling hills that are characteristic of many independent schools, Branksome's grounds are bisected by one of Toronto's busiest thoroughfares. This leads me to a great story about leadership.

The Clifton Road Extension (known to you as Mt. Pleasant) was built in 1950 to ease Toronto's perennial traffic problem. But it created a problem for Branksome Hall. Before the completion of the road, Miss Read saw that unless traffic lights were installed, Branksome girls would be hotfooting it between speeding cars in order to get from one class to another. She applied to the Toronto City Hall for stoplights. She was turned down. On the day the road opened, Miss Read put on a brilliant red coat and waving a hand-painted stop sign, stepped determinedly into the morning rush-hour traffic. After the traffic had screeched to a halt, she beckoned her girls across the highway. Needless to say, a few days later Miss Read gleefully watched workmen installing new traffic lights. She is reported as saying to the press "I don't know why City Hall fights me. I win nine times out of 10!" ("Canada in the Fifties"—Maclean's Magazine)

Edith knew her community. Branksome in 1910 was a lot different than it is today; however, knowing one's community has never been more important.

I first learned the importance of this aspect of school leadership when I began my career in administration. In 1992, after having taught at Havergal College, I accepted a position as vice-principal at Lawrence Heights Middle School. I reported to Liz Austin, one of North York's finest principals and she taught me the ropes of working in one of the city's poorest neighbourhoods.

It was mid-August when Liz took me out to meet the community. Our host was the supervisor of the Lawrence Heights Metro Housing Development. We visited families in their homes, spent days at the recreation centre, the health centre and met the community leaders. By the time school actually opened in September, I was a familiar face. When I had issues or problems to solve for the children at Lawrence (and there were many), I knew that I had good people upon whom I could call for advice and guidance.

The lesson for me is one that I have never forgotten: Great school leaders know and respect their community.

Recently, I received a letter from a family who had been interviewed at Branksome through our admissions process. The letter carries a lot of significance for me in terms of the culture of our school:

"From the moment we entered the building and corridors of Branksome Hall, we knew something was different. We saw a dynamic camaraderie amongst the girls. We heard laughter and we experienced from your students, a willingness to assist and answer questions in a friendly and relaxed manner. Our tour guide even told us the story about the Branksome Ghost! We saw diversity and individualism in your student body and from our observations of the girls at Branksome Hall, we are convinced that every individual has a place at your school. In short, the school was singing with life."

Comments, such as the ones expressed in this letter remind me of how important culture is when differentiating good schools from great schools. In describing school culture, consider the following statement by Kent Peterson:

"School culture is the set of norms, values and beliefs, rituals and ceremonies, symbols and stories that make up the persona of a school.

These rituals and ceremonies, symbols and stories communicate core values, reinforce the mission, and build a shared sense of commitment. Symbols are an outward sign of inward values. Stories are group representations of history and meaning. In positive cultures, these features reinforce learning, commitment, and motivation, and they are consistent with the school's vision.

While there is no one best culture, recent research and knowledge of great schools identify common features in professional learning communities. In these cultures, staff, students, and administrators value learning; they work to enhance curriculum and instruction; and there is a universal focus on students."

When I think about these components of culture and apply them to Branksome Hall, I can better understand why I often receive the kind of feedback from parents and students, such as the letter I just shared with you.

The Branksome culture is deep, personal and enduring. Our stories are not mounted just for specific projects or events. Our rituals and ceremonies are not "one shot deals" (in fact some of them date back to the 1920s!). The Branksome flags are symbolic to our students and our alumni. Our school motto, "Keep Well the Road," is central to every students' and teachers' daily work.

As I say these words, I find myself going back to the county of Dorset in England and I am thinking about afternoon tea at the home of Elspeth Fairbairn. In her own way Elspeth tells the story of a great school:

- The teachers whom she remembers as if it were yesterday;
- A model of care that gave her a family;
- An education and a home for four years;
- An academic program that paved the way for her university education;
- A principal whose determination created a school that is now entering its second century; and
- An enduring culture that will ensure Branksome's success for the next 100 years.

I suppose that I knew this would be the case from the beginning of my journey—travelling the winding roadways of Dorset looking for the right house and finally seeing the sign post on Elspeth's stone fence.

She had posted it with love and affection for her "great school." The words "Keep Well the Road" have never held a more lasting or enduring meaning for me.

Thank you.

The appreciation of the meeting was expressed by David A. Edmison, President, Martin Lucas & Seagram Investment Counsel, Past President, The Empire Club of Canada.

Colin Wickham, Administrator Assistant, The Empire Club of Canada, Gareth Seltzer, Merchant Banker, Director, Breakfast for Learning, Director, The Seltzer Chan Pond Inlet Foundation and Past President, The Empire Club of Canada and Pipe Major John Wakefield, Leading in Ontario Lieutenant-Governor, The Hon. James K. Bartleman.

April 10, 2003

A joint meeting of The Empire Club of Canada and The European Chamber of Trade and Commerce

His Excellency, Ambassador Eric Hayes

Ambassador and Head of the Delegation of the European Commission to Canada

THE EU AND CANADA: PARTNERS THAT MATTER

Chairman: **Ann Curran**
President, The Empire Club of Canada

Head Table Guests

Bart J. Mindszenthy, APR, FCPRS, Partner, Mindszenthy & Roberts Communications Counsel and 2nd Vice-President, The Empire Club of Canada; The Rev. Kim Beard, Christ Church, Brampton and Director, The Empire Club of Canada; John Smith, Past Chairman, EUCOCIT and Past President, British Canadian Chamber of Trade and Commerce; Hershell Ezrin, President and CEO, GPC International and Past Chairman, Canadian German Chamber of Industry and Commerce; Randall Harwood, Director, Industry Canada—International Trade Centre; Alexis Alexandris, Consul General in Toronto of Greece (the member state of the European Union which currently holds the presidency of the European Council); Blake C. Goldring, CFA, President and CEO, AGF Management Limited and Director, The Empire Club of Canada; Pamela Kanter, Manager, International Branch (for the United States and the European Union) for Ontario Exports Inc. (an agency of the Government of Ontario); Aristotle Christou, Chairman, EUCOCIT and President, Hellenic Canadian Board of Trade; Calvin Goldman, QC, Partner, Blake, Cassels & Graydon LLP and Past Director, Competition Bureau of Canada; and Lars Henriksson, Vice-President, EUCOCIT, Honorary Consul of Sweden in Toronto and Chairman of the Swedish-Canadian Chamber of Commerce.

Introduction by Ann Curran

From an economic perspective, does the EU matter to Canada, and vice versa?

For more than 25 years, the Canadian government and the European Commission have led efforts, at both the bilateral and multilateral levels, to expand and strengthen our trade and investment relations.

Much has been achieved, particularly through successive rounds of international trade negotiations. However, in recent years the creation of NAFTA and the consolidation and enlargement of the European Union's Single Market have led many to question the relevance of the EU-Canada trade relationship.

This perception is not justified.

Eric Hayes, the European Commission's Ambassador to Canada, will explain not only why our bilateral relationship remains very important but also how he expects it to develop in the future.

The Delegation of the European Commission in Canada, founded in 1976, is a fully fledged diplomatic mission and is responsible for the conduct of official relations between Canada and the European Commission.

It works closely with the diplomatic mission of the EU Member States, particularly the one holding the EU presidency.

As head of the delegation, Ambassador Hayes is formally accredited as the official representative of the European Commission to the Government of Canada.

The delegation has four sections: economic and commercial, political, press and information and administration.

Eric Hayes was born in England on October 31, 1948. In 1971 he graduated from Magdalen College, Oxford with a B.A. (Honours) in Philosophy, Politics and Economics.

For three years he worked for British Steel Corporation in London as an Assistant Manager in the International Affairs Department. Then in 1974 he joined the European Commission.

He held several progressive positions that culminated in 2000 as the Head of Unit for Relations with the U.S.A., Canada, NAFTA and Directorate-General for External Relations, Brussels.

In October 2002 he became the European Commission's Ambassador to Canada.

Ladies and gentlemen I give you Ambassador Hayes..

Eric Hayes

Thank you for your kind words of welcome. I am delighted and honoured to address this distinguished audience, and grateful to the Empire Club for organizing this event together with EUCOCIT, which brings together the EU Member State chambers of commerce here in Toronto. It is indeed a privilege to be given this opportunity early on in my posting to Canada, and on my first official visit outside Ottawa. I would like to use it to explain why I think the EU-Canada bilateral relationship, and in particular the bilateral economic relationship, remains a uniquely important one for both sides, and why the EU and Canada are definitely "partners that matter" to each other.

For more than 25 years, the Canadian government and the European Commission have led efforts, at both the bilateral and multilateral levels, to expand and strengthen our trade and investment relations, to the mutual benefit of businessmen and consumers on both sides of the Atlantic. Much has been achieved over that period. However, in recent years the creation of NAFTA and the consolidation and enlargement of the European Union's Single Market have led some to question the relevance of the EU-Canada relationship. It will be immediately apparent from the title of my speech that I am not one of those. On the contrary, my starting point is that our economic links are extremely important, not only despite the rapid changes occurring in the world around us, but precisely because many of these very changes can themselves lead to significant and mutually beneficial improvements in our economic relations.

Europe itself has seen many significant changes and new policy developments in recent years. The European Monetary Union entered its final stage on January 1, 2002, when euro banknotes and coins were put into circulation in the 12 participating European countries. In the meantime, enlargement negotiations with a number of Central, Eastern and Southern European countries have been completed and will result, next week, in the signature of the Accession Treaty that will formalize the entry of 10 new Member States of the EU early next year. The European Union is also engaged in a major exercise of rethinking its political institutions and decision-making mechanisms, under the auspices of the European Convention chaired by former French President Giscard d'Estaing. The EU will soon convene an intergovernmental conference—a treaty-making gathering of Member States—to finalize and adopt the necessary reforms. All these events are, in my view, highly relevant for Canada and provide important new opportunities for strengthening the trans-Atlantic relationship.

The EU and Canada have strong historical and cultural links. They share many fundamental values and a similar commitment to multilateral institutions and the international rule of law. Both the EU and Canada are modern, advanced economies characterized by a high degree of openness and a high degree of dependence on international trade. Perhaps for these very reasons, both are active supporters of the WTO and the multilateral trading system, where we work very closely together.

The EU and Canada have made great strides, through their joint commitment to successive rounds of international trade negotiations, to reduce tariff barriers to their bilateral trade. The simple average applied tariffs on non-agricultural products are now barely over 4 per cent in both the EU and Canada, a quarter of what they were just 25 years ago. Major efforts have also been made, at the same time, at the bilateral level, to address non-tariff barriers to trade and investment through a series of initiatives over the past quarter of a century.

In 1976 the EU and Canada concluded an economic co-operation agreement—the first of its kind between the EU and an industrialized partner. Since then, this has been followed up by a number of sectoral agreements in areas, such as veterinary equivalence, customs co-operation and competition.

In 1996 EU and Canadian leaders adopted a Joint Political Declaration and Action Plan. This was further complemented in 1998 by a program aimed specifically at addressing in a more systematic manner obstacles to trade and investment under the Europe-Canada Trade Initiative (ECTI).

Nevertheless, even with the positive results obtained through these considerable efforts, and despite the substantial growth in the overall value of EU-Canada trade in absolute terms, the relative share of the EU in total Canadian merchandise exports has continued to decrease during recent years (from 6.4 per cent in 1995 to 4.5 per cent in 2001). Some have argued from this that we need a Free Trade Agreement between the EU and Canada to reduce Canada's overwhelming dependence on the U.S. market, and to give EU-Canada trade and economic relations a similar boost to that given to Canada-U.S. relations by the CUSFTA and the NAFTA. Personally, I share the view that more could, and should, be done to bolster bilateral trade and investment links between the EU and Canada. But I would strongly caution against making comparisons of this sort between the EU-Canada trade relationship and that which Canada enjoys with the U.S.A. For all sorts of perfectly sound geographical and business reasons, the U.S. has always been by far the dominant trading partner for Canada, just as the EU has always been the dominant trading partner for its European neighbours. This was so even before NAFTA, even before the CUSFTA. This has been particularly marked for trade in goods, where geographical proximity, transport costs and industrial integration are important determining factors in trade flows, both here and in Europe. This tendency is, of course, even more marked in Ontario's case.

Canada as a whole is already a very outward-looking country in terms of its reliance on trade—some 43 per cent of Canada's GDP is accounted for by its exports, with another 37 per cent represented by its imports. Ontario's trade orientation is even higher, accounting for 52 per cent of total Canadian exports and 68 per cent of total imports in 2002. I think most of you here today are well aware that an overwhelming proportion, in fact 93 per cent, of Ontario's merchandise exports go to the U.S. Faced with these figures, one could be forgiven for thinking that, while Ontario is indeed outward-looking, it only looks south. This is, however, only part of the story, and there are many good reasons why the EU matters, not only to Canada but even here in Ontario.

In today's global economy, trade in goods across borders has become only a very partial measure and driver of economic linkages. These days, it is international trade in services and, more important still, international investment flows that are the real driving forces of trans-Atlantic economic relations. Much of the trade in goods that crosses the Atlantic these days is driven by cross-investments made by European and Canadian firms.

Trade in services has become an increasingly important component of overall international trade flows, representing about 17 per cent of global trade in 2001, a figure roughly paralleled in the composition of Canada's own trade. The EU plays a significantly larger role here compared with that of the U.S. than it does with respect to trade in goods. Figures for the most recent year—2001—indicate that the EU is the source for, and destination of, fully 17 per cent of total Canadian trade in services, a figure that is over three times higher than the same ratio for EU-Canada trade in goods. Moreover, given this city's pre-eminent position as Canada's financial centre, I think I would be on safe ground in suggesting that a very substantial portion of this services trade probably flows through Toronto. The EU certainly matters when it comes to Canada's, and Ontario's, trade in financial, commercial, insurance, transportation, tourism and other services.

This picture becomes even more marked when we look at direct investment stocks and flows. Canada's foreign investment orientation, like its trade orientation, is significant and outstrips the G7 average. In 2000, the latest year for which I have figures, the total stock of foreign direct investment in Canada reached almost 29 per cent of GDP, while Canadian direct investment abroad represented almost a third of Canadian GDP. And here again, the EU matters. Of the $430 billion invested abroad by Canada by the end of 2002, almost $100 billion or 23 per cent of the total was invested in EU countries. Likewise, of the $349 billion of foreign direct investment in Canada by year-end 2002, $94 billion, or almost 27 per cent, originated with EU Member States. While precise figures on a provincial basis are hard to come by, it seems quite reasonable to assume that a significant proportion of that EU direct investment in Canada has occurred in Ontario, and that a large part of Canadian direct investment in the EU is sourced from this province. This shows just how important the EU is to Canada, when one looks beyond merely the figures of goods trade flows.

Two further thoughts flow from this, even if precise figures are, again, difficult to come by. First, the fact that the high level of EU direct investment in Canada is undoubtedly partly linked to Canada's membership in NAFTA, would suggest that this investment is responsible for a significant share of Canadian, and Ontario, exports to the U.S. Second, the scale of our direct investment in Canada, and in Ontario, as well as the sectors in which this investment has occurred, suggests that thousands, if not tens of thousands, of Canadian jobs are directly dependent on EU investments here.

Rather, therefore, than being mesmerized by the relative shares of the U.S. and the EU in Canada's foreign trade, what we do need to do is to ensure that those EU and Canadian firms who do wish to export to or invest on the other side of the Atlantic face the fewest possible obstacles.

Some of this will, we hope, be achieved via the WTO's Doha Development Agenda—the DDA. The EU, like Canada, has played a decisive role in launching this latest round of multilateral trade negotiations and is determined to make a success of this exercise for the interest of both developed countries and developing countries alike. The Doha round, like previous rounds of MTN, provides us with a valuable platform for exchanging concessions with Canada (on an MFN basis) in the key areas of market access for agricultural and non-agricultural products and services trade liberalization.

But the main obstacles to transatlantic trade and investment are no longer tariff or market-access related. Among those governmental measures identified as barriers to bilateral trade and investment, those of a regulatory nature represent the main source of difficulties both for goods and services. This is the clear conclusion to be drawn from the business surveys that the European Commission and the Canadian government have recently conducted on their respective sides of the Atlantic. Particular barriers identified by EU exporters include:

- Canadian sanitary and technical regulations, such as differences in foodstuff standards, burdensome inspection and authorization procedures by the Canadian Food and Inspection Agency (CFIA), labelling and packaging requirements, or the lack of transparency and international harmonization of technical and safety standards;
- The management of government monopolies, such as the provincial wine and liquor boards;
- Insufficient protection of intellectual property rights, such as geographical indications and designs and models;

- Restrictions to the provision of services related to social insurance requirements for workers or the lack of recognition of diplomas and professional qualifications;
- Restrictions to investment in the form of limits to foreign participation in certain sectors, such as cultural services, telecommunication, banking services, coastal navigation or uranium production.

A remarkably similar picture (mutatis mutandis) emerged from the Canadian government survey.

Consequently, in response to our mutual desire to further strengthen our bilateral economic relations, EU and Canadian leaders decided, at their last EU-Canada Summit in Ottawa in December, to work toward the creation of a new type of bilateral enhanced trade and investment agreement focussing on so-called "new generation issues." In combination with the results we both hope to achieve through the DDA, this new type of trade agreement should take us much further than a classical free trade agreement with its focus primarily on eliminating remaining tariffs. Since we have seen that tariffs no longer represent significant barriers to trade, our vision is that this future agreement will instead focus on trying to reduce or eliminate those obstacles to trade and investment still identified by our respective business communities as important. Of course, given that these obstacles are, by definition, the most difficult and sensitive ones that have survived years of multilateral and bilateral liberalization efforts, achieving a mutually acceptable trade and investment enhancement agreement will not be easy.

More than tariffs, internal regulations affecting trade often reflect divergent domestic policy choices or are the result of different legal traditions. On the Canadian side, several of these issues are of provincial rather than federal competence (wine monopolies, sub-federal government procurement, diplomas and professional qualifications), which is clearly a complicating factor.

Unlike classical tariff negotiations—which are rather straightforward—negotiations touching upon technical barriers, standards and regulatory issues are complex and resource-intensive exercises requiring the long-term involvement of specialized staff on both sides. This consideration, I dare say, is not a minor one at a time when both the EU and Canada are deeply involved in a series of other multilateral, regional and bilateral exercises and when, for that reason, human and financial resources in the European Commission and in the DFAIT are already spread thinly. That is why we think it is very important to listen to our business communities, and negotiate away those barriers that really matter, and where real value-added can be achieved.

Let me say a word, finally, about another perceived difficulty associated with such an exercise, which is often mentioned on the Canadian side. It is the risk that introducing regulatory co-operation mechanisms or harmonising technical standards in relations between the EU and Canada would mean, for the latter, getting that much further from the U.S. and undermining a highly profitable trade relationship with its southern neighbour. I know that this is particularly important for Ontario, given the high degree of trade and investment inter-linkages between this province and the U.S., especially with the northern-tier U.S. states bordering Ontario. But, I personally think that this difficulty could be over-stated. First, because it seems most unlikely that Canadian negotiators would subscribe to anything that may seriously compromise Canadian trade interests in the U.S. Second, because the EU, which is itself eager to preserve and develop its positions on the U.S. market has also engaged in a process of regulatory co-operation with the U.S.A. Third, because the purpose of both the Canadian and the U.S. exercises should be to promote, as much as possible, the use of international standards as a basis for developing national regulations in all three jurisdictions and the recognition of these regulations as having essentially equivalent effects for the purpose of trade between the parties concerned—what is generally referred to as mutual recognition.

None, or few, of the subjects, which are likely to be covered by what some have provisionally labelled the CEUTIE (Canada-EU Trade and Investment Enhancement) initiative, is actually new. Most are already very familiar to all officials, scholars and business people with an interest in EU-Canada economic relations. What is new, however, is the common ambition to take a comprehensive view of all remaining obstacles to transatlantic trade and investment, to leave no stone unturned and to explore in a very systematic way all avenues for new or reinforced co-operation. And I can confirm that the European Commission in general, and Trade Commissioner Lamy in particular, remain firmly committed to making a success of this exercise in the interests of our business communities and consumers on both sides of the Atlantic.

The appreciation of the meeting was expressed by Lars Henriksson, Vice-President, EUCOCIT, Honorary Consul of Sweden in Toronto and Chairman of the Swedish-Canadian Chamber of Commerce.

April 22, 2003

Stephen S. Poloz

Vice-President and Chief Economist, Export Development Canada

SELLING CANADA TO A VOLATILE WORLD

Chairman: **Ann Curran**
President, The Empire Club of Canada

Head Table Guests

Gareth S. Seltzer, President, TWS Private Management, Past President, The Empire Club of Canada; The Reverend Douglas Kramer, St. Philips Lutheran Church, Etobicoke; Randall Harwood, Director, International Business, Industry Canada; Archie Marshall, Vice-President, Commercial Banking, Western and Central Ontario, National Bank of Canada; Bonnie Winchester, Assistant Deputy Minister/President and CEO, Ontario Exports Inc.; The Hon. Senator James F. Kelleher, PC, Senate of Canada; Ken Shaw, National Editor, CFTO Television and Director, The Empire Club of Canada; Ruth Fothergill, Vice-President, Corporate Outreach, Export Development Canada (EDC); Robert Fung, Chairman, Toronto Waterfront Revitalization Corporation and Member, EDC Board of Directors; and Lili Shain, Vice-President, National Accounts Ontario, National Bank of Canada.

Introduction by Ann Curran

These are uncertain times—a war in Iraq, international terrorism and the outbreak of SARS. Yet life and business must go on. Which leads us to the question: "How do we sell Canada to a volatile world?"

About one-third of all income earned in Canada is generated through international sales. Yet Canada has been an oasis of prosperity through the global turmoil of the past two years. Can this continue? How will the next international storm affect us? Mr. Poloz will offer his latest views on the global economic outlook and its implications for interest rates, exchange rates and the key sectors of the Canadian economy.

Stephen Poloz joined Export Development Canada (EDC) in September 1999. As EDC's Chief Economist, Mr. Poloz leads a diverse risk-assessment group comprising six departments: market and economic analysis, country risk assessment, political risk assessment, technical advisory services, environmental advisory services and the corporation's information centre.

Prior to joining EDC, Mr. Poloz was Managing Editor of the International Bank Credit Analyst, a monthly global investment research publication that is read in more than 80 countries. Before that, Mr. Poloz spent 14 years with the Bank of Canada, occupying a number of senior positions including Chief of the Research Department. During his tenure with the bank, he was a visiting scholar at the Economic Planning Agency in Tokyo, as well as at the International Monetary Fund in Washington. Mr. Poloz earned a PhD and an MA in Economics from the University of Western Ontario, and a BA in Economics from Queen's University. He has published extensively on a wide range of economic issues and has served on the editorial board of the Canadian Journal of Economics and on the Executive Council of the Canadian Economics Association.

Mr. Poloz will be sharing EDC's outlook for the global and Canadian economy over the next 16 to 18 months.

Ladies and gentlemen, I give you Mr. Stephen Poloz.

Stephen Poloz

Is it just me, or has the world suddenly become a riskier place to do business? I know one thing for sure—economic forecasting has become a brutal business.

It has been one big economic shock after another, starting with the events of 9-11. We had no sooner put that behind us when we discovered corporate malfeasance, which caused trillions of dollars in wealth to evaporate. Then the war drum began to beat in Iraq, making the outlook uncertain again. And when the war came, it actually had to compete for the headlines with another big story that came from nowhere—SARS. Now the Koreas are back on the front burner.

The lesson? These days, we need to deal with a much higher level of uncertainty in running our businesses. It is as if we are playing baseball, and the field has suddenly become twice as big as it used to be, and we have to be prepared to play anywhere the action takes us.

Making an economic forecast in such a situation is a brave or perhaps foolhardy thing. Even so, it is less daunting than the challenge Canadian companies face every day in selling Canada to such a volatile world.

And sell to the world, we must, if we are to grow our businesses. The global marketplace is 50 times the size of Canada's domestic market. That's a big prize—one worth taking risks for and one worth innovating for.

Globalization is a lofty term for something quite simple: products are divided up into their components, those components are manufactured around the world, each in the best possible place, and then the parts are brought together into what we can call a global product.

Canadian companies that innovate in this way increase their productivity and profit margins. They also discover a basic truth: they must do a lot more international trade and cross-border investment just to make their product. Then, they must do even more international trade to get the product to the buyer.

The fact is that we are hooked on international trade, and Canada is not alone. The entire world is becoming more and more dependent on trade for economic growth; we must trade faster just to stand still. Every dollar of income created in the world today relies more on international trade than ever before. And because those global supply chains are distributed around the world, we also must invest more in foreign countries to produce each dollar of income.

Isn't it ironic that, just as we enter the reality phase of globalization, the world has suddenly become a riskier, more complex place to do business? Increasingly, borders are becoming something more than just a line on a map. Although people have bought into the benefits of liberalized trade, now they see that new openness transforming itself into a security threat. Security trumps trade—no surprise there.

Today, people are preoccupied with war, terrorism, SARS, the Koreas, and their potential effects on the economy. And there is no need to debate it; the global economy has stopped in its tracks in recent weeks. Uncertainty makes people hesitate to make big decisions, and the global economy has paused.

Describing this as a pause of course suggests that the world will return to a normal growth track when the uncertainty eases. Whether that recovery is automatic depends greatly on how long the pause turns out to be. At some point, a pause becomes a postponement and then it becomes a reconsideration and then, finally, it becomes a whole new plan. That is when the pause can take on a life of its own; it becomes a negative dynamic process, and the economy can slide into recession.

But we have not reached that point, so far. Our analysis of the global economy indicates that, setting aside the current level of uncertainty, the global glass is half full, not half empty. The seeds of recovery remain in place, and left to develop they will grow. But regardless whether the best description is "half full" or "half empty," the word "half" goes to the heart of the matter: the world is operating well below its potential, and it is clearly vulnerable to more bad news.

Nevertheless, as the uncertainty due to war and SARS dissipates, we expect the world economy will get back on track. The pause in the first half of the year will give way to modest growth, which should average 2.9 per cent for the year. This will make 2003 feel very similar to 2002 in terms of growth, but we should end the year on a more positive footing.

In this global context, Canada will remain a solid performer, with growth of 3.2 per cent forecast. World economic growth will be led by non-Japan Asia, which will see growth of around 6 per cent. U.S. growth should be about 2.2 per cent. Europe will be lacklustre, Japan even more so, but South America will gradually get back on track.

Canadian exporters have weathered two years of declining sales in a row, for the first time in 50 years. After a difficult start, 2003 promises to be a year of higher export sales, with 3-per-cent growth forecast, excluding energy exports, which will rise much more due to higher prices. Key sources of strength will be traditional resource sectors, such as chemicals, ores and metals. Moderate growth is expected for agri-food, forestry and export sales of equipment. Auto exports face a soft outlook, while aerospace exports are likely to decline again this year.

The gradual dissipation of uncertainty will mean higher interest rates. Given our relatively strong economic performance, Canada's interest rates are likely to lead the way, followed by the U.S. and then Europe. Further, as the world falls into better balance, with positive growth everywhere, the U.S. dollar will resume its downward trend against most currencies, including the Canadian dollar. The Canadian dollar can be expected to trade in the high 60s against the U.S. dollar through most of 2003, but to settle at 70–71 cents by mid-2004.

Now many people will disagree with this analysis, or at least worry that some of our assumptions will be wrong and deliver an even more difficult business environment. I am the first to admit that my level of confidence is lower right now than it usually is. So let me turn now to an examination of the key issues that lie behind this forecast; the issues you will no doubt be debating with others over the barbecue this weekend.

What will SARS do to the world economy? SARS is clearly contributing to the current pause in global economic growth. A lot of travel is being cancelled and people who are quarantined for a week or two do not produce much GDP. They don't work, and they barely shop. Obviously, the effects are impossible to quantify at this point.

The epicentre of the SARS shock is in Asia, which unfortunately also happens to be the world's only growth locomotive right now. In fact, our forecast is that half of all the growth that we see in the world this year will come from non-Japan Asia. The region has largely recovered from its financial crises of 1997–98, and the economy has changed very fundamentally. We have grown accustomed to thinking about Asia as a big manufacturer that exports goods to North America and Europe, but that situation is changing. In fact, these days, some 75 per cent of Asia's exports are to other countries in Asia. This reflects the emergence of the Asian consumer; evidence is most clear in China, India, South Korea and Thailand.

We assume that SARS will lead to some cancellation of economic activity, but mostly postponement. We must bear in mind the possibility that it could blossom into something with much bigger economic implications. But even if the loss of activity rivals that after 9-11, it will not be sufficient to derail the Asian growth story.

Is real estate the next bubble to explode? The collapse of the tech equity bubble three years ago has everyone on the lookout for the next bubble. Real estate prices have gone up a lot as low interest rates have fed demand. But I see the surge in real estate as more fundamental than that. A lot of people were burned badly by the collapse in stock prices following the tech wreck, and I think a lot of them have turned their back on stocks as an investment. Furthermore, we live in troubled times—terrorism, war and the like—and that is making people cocoon, feather their nests, and spend more time at home with their families.

Ordinary people will not come back to stocks just because the stock market starts to stabilize. I think they will stick with housing as a preferred investment for a long time. This was true in the 1970s and it took all through the 1980s for confidence in equities to return. The implication is that the housing market might cool off a little, but I do not see it as a bubble ready to explode.

How long can the U.S. consumer keep spending? U.S. consumer confidence has declined to its lowest level since October 1993. That sounds grave, but consumer confidence has never been the greatest predictor of consumer behaviour. The year 1993 was actually a pretty good one for U.S. consumer spending. Consumer confidence has been dropping basically since 9-11 and consumption spending has continued to grow.

The reasons for this are pretty simple in my mind. Income is still growing in the U.S., and the main reason why confidence has fallen is because of uncertainty related to terrorism and war. Are these the sorts of risks that make you want to save your money? In fact, I think spending money, especially on things for the home, makes people feel better in such stressful times.

I think the U.S. consumer is going to continue spending money at a regular pace, keeping the economy on a slow-growth path. Consumers probably went on pause at the outbreak of the war. If you spend a lot of time glued to the television and the weather is bad, you do less shopping. But much of that can come back when the situation normalizes.

Is the rising Canadian dollar going to choke off our export business? Our global forecast is consistent with a rising Canadian dollar. Because Canada is so dependent on the world for its livelihood, the Canadian dollar tends to be a barometer of world economic health. When the world is in trouble, the Canadian dollar weakens to help us weather the storm.

Since 1996, we have experienced one crisis after another, and the U.S. dollar went up each time as it fulfilled its role as safe haven. The total increase was about 30 per cent. We have now begun a slow healing process, and a characteristic of that process will be a better balance of global economic growth, a wider spread of investment around the world, and the dollar will decline against most currencies. That includes the Canadian dollar. Assuming the world gets back to normal during the next year or so, the Canadian dollar should work its way up to around 70–71 cents against the U.S. dollar.

With the Canadian economy so far out in front, our interest rates rising, plus the U.S. dollar looking so vulnerable, we have most of the characteristics that in the past have caused the Canadian dollar to move beyond its fundamental value. This is in fact what happened in 1991.

Accordingly, this is a risk that we need to prepare for. Our base case assumes that the dollar will continue to fluctuate in the high 60s this year and drift higher next year, but it could move up above the 70–71 cent range this year, and then come back down to that value later as the rest of the world catches up to us. Such a scenario would put the squeeze on some Canadian exporters, no doubt about it, because it would happen before the world economy returned to full strength. It would mean less growth in our exports, and slower growth for the Canadian economy.

To sum up, our analysis is that the world will return to its recovery path once the geopolitical situation begins to normalize, but that will still mean that 2003 will be a challenge for Canadian exporters.

Even as geopolitical risks recede, others will remain. Security issues are turning borders into something more than just a line on a map. Trade liberalization could stall.

Global trade and investment, the engines of economic growth, are unlikely to return to their former glory days anytime soon, which means that trend growth in the world economy will be less than what we became accustomed to during the 1990s.

Meanwhile, sluggish growth means that financial stresses will remain high, causing bankruptcy statistics to stay grim. At EDC we see these stresses first-hand. Last year, even though Canada's exports declined, EDC's business grew by about 20 per cent, as many more companies sought out our risk-management services, especially small companies. EDC facilitated over $50 billion in international transactions on behalf of over 7,000 Canadian companies, over 90 per cent of which are small or medium-sized.

The bottom line? Dealing with global uncertainty is difficult, but we may as well get used to it. No one said that 2003 would be easy for Canadian exporters. Our forecast theme six months ago was "Rough Crossing" and the world has certainly lived up to that billing. Our theme this time is "Recovery Interrupted." Conditions will improve later this year, and 2004 should be a solid one for international business.

The appreciation of the meeting was expressed by Ken Shaw, National Editor, CFTO Television and Director, The Empire Club of Canada.

April 28, 2003

A joint meeting of The Empire Club of Canada and The Canadian Club of Toronto

Pamela Wallin

Canada's Consul General to New York City

A PERSPECTIVE FOR CANADIANS: THE CURRENT STATE AND FUTURE DIRECTIONS FOR CANADA-U.S. RELATIONS

Co-Chairman: **Nancy Lockhart**
President, The Canadian Club of Toronto

Co-Chairman: **Ann Curran**
President, The Empire Club of Canada

Head Table Guests

James Abernethy, CFO, Marsh Canada Limited; Bonnie Brownlee, Vice-President, Communications, Astral Television Networks Inc.; David G. Fuller, CEO and Managing Partner, Fraser Milner Casgrain LLP; Anne Fotheringham, Owner, Fotheringham Fine Art and Director, The Empire Club of Canada; The Hon. Janet Ecker, MPP, Ontario Minister of Finance; Sheldon M. Rankin, Chairman, Marsh Canada Limited; Antoinette Marwitz, Consul General of the United States of America; Robert Johnstone, Former Canadian Consul General to New York; Jack Rabinovitch, CM, OOnt, LLD, Giller Foundation; Susanne Boyce, President, CTV Programming and Chair, Media Group CTV Inc.; and Angela Ferrante, Senior Vice-President, Corporate Communications, BMO Financial Group and Director, The Canadian Club of Toronto.

Introduction by Nancy Lockhart

Former Prime Minister Pierre Trudeau once described Canada's relationship with the United States as being like sleeping with an elephant. No matter how friendly and even-tempered the elephant might be, one is affected by every twitch and grunt.

As Canadians, we grow up knowing that we live next door to the world's most powerful economy, mightiest military and most influential culture—all rolled into one.

It is perhaps little wonder that we are forever defining ourselves by how we do not resemble the United States.

That self-definition is not always without controversy, as the past few months have shown us. Canada's refusal to support America's war with Iraq has led to a palpable chill in our relations with Washington, and led to fears in this country that we may have done ourselves enormous damage.

If the unprecedented scolding of Canada delivered last month by Ambassador Paul Celluci is any indication, the elephant described by Mr. Trudeau is feeling a little less than friendly these days.

Exactly what that might mean for this country has suddenly become an issue of considerable importance to Canadian politicians and diplomats whose job it is to deal with the U.S.

Our speaker today is one of those people. Pamela Wallin is Canada's Consul General in New York City.

Her appointment in June of last year was big news—a story she might have covered in other circumstances.

That's because until June of last year, Pamela Wallin was one of this country's most respected journalists.

Her 25-year career began with CBC radio. She was a national political producer on "Sunday Morning" and "As It Happens."

She followed that with a stint at the Toronto Star, and was then recruited by CTV to co-host "Canada AM," a job that went a long way to making her a household name in this country.

In 1985 CTV appointed her Ottawa Bureau Chief—the first time a woman had ever been appointed to that position by a Canadian television network.

Now I am not going to list all of Pamela Wallin's accomplishments. It would take too long, and you came here to listen to her, not me.

But let me skim very quickly through the list.

She has hosted the national newscasts at both CTV and CBC.

She has interviewed every Canadian prime minister from Trudeau to Chrétien, and covered politics, wars and summits around the world.

She has been president of her own independent production company, and hosted a very popular television interview program called "Pamela Wallin Live."

She has written two books, received more awards and honorary degrees than I could list and has a street named after her in her hometown. She has called that the most important recognition of her career, and anyone who knows Pamela Wallin knows how very proud she is to have come from Wadena, Saskatchewan.

There is a joke her friends tell that if you're not from Saskatchewan, but you've heard of Wadena, then you know Pam Wallin.

It's been a long and challenging journey from Wadena Saskatchewan, population 1,500, to New York City, population eight million.

And as challenging as that journey might have been, representing the interests of Canada in that city, at this time, must be just as great a challenge.

Pamela Wallin is here today to tell us about that.

Ladies and gentlemen, please welcome to our podium today Canada's Consul General to New York City, Pamela Wallin.

Pamela Wallin

Thank you.

I'd like to begin with some early impressions of Canada-U.S. relations through the eyes of a still-novice diplomat.

It seems only with distance that you can come to appreciate your own country, your own identity, your values and even your own flaws.

The first dilemma that one encounters is Canadian "niceness." Canadians are Americans with health care but without guns!

In Michael Moore's Oscar-winning film "Bowling for Columbine"—a not-so-subtle critique of what he calls his country's "gun culture"—he holds Canada as the counterpoint. He suggests that in this northern nirvana, there is no poverty, no unemployment, no waitlists for health care and most inaccurately, that no one locks their doors.

While that may be true in Wadena, Saskatchewan, it is not true in our urban centres. I wanted to leap to my feet in my local New York movie theatre, and say: "Nice doesn't mean stupid; of course we lock our doors!"

Now this view originated not with Mr. Moore but with Stephen Leacock, the economist turned-humourist.

In "Sunshine Sketches" (published 80 years ago) he wrote of his near-perfect, idyllic little Canadian town, Mariposa, where everyone and everything was nice and kind and gentle—an ideal community. Two years later, he wrote "Arcadian Adventures" about an American town that is a far from perfect. Individualism was the holy grail, people were obsessed with the mechanical and the material. Leacock's satire became the stereotype.

But our American neighbours are no more the stereotype than we are.

You probably know this old joke: "On the sixth day, God created a land called Canada—a land of outstanding natural beauty with tall, majestic mountains and clean, sparkling lakes. 'I shall call the inhabitants of this land Canadians and they shall be known as the most friendly people on earth,' said God. 'But don't you think you are being too generous to these Canadians?' asked his angelic assistant. 'Not really,' God replied. 'Just wait and see the neighbours I am going to give them.'"

Yes, it's a joke and, as with most humour, there is more than a kernel of truth at its core. Canada-U.S. friendship takes work, as do all relationships worth having.

That said, I don't think I'm an atypical Canadian when I state that I like Americans. I like their spirit and creativity, their forthrightness and their confidence.

And I have always loved New York City; its energy level is seductive, especially for a workaholic.

As essayist E.B. White wrote: "New York is the concentrate of art and commerce, sport and religion and entertainment and finance... No matter where you sit in New York," he said, "you feel the vibrations of great times and tall deeds." I have a special affinity for New York.

In September of 2001, I was battling cancer. I watched the twin towers fall and the death toll mount, as I awaited surgery. This tragedy gave me a powerful jolt—and a much-needed perspective on how important second chances can be and about whether there is more we can do with our given talents and skills and opportunities.

That is why when the Prime Minister called I could not say "yes" quickly enough. This was a chance to serve my country and do so in one of the most amazing cities in the world.

And I believed—and still do—that there is a window of opportunity in the post-9/11 world to begin to redefine the most important relationship we have as a country—our relationship with the United States of America.

As in any relationship, circumstances change and we change, making it important that we continually check our assumptions to ensure they still are accurate and current.

Stereotypes, predictable behaviours and familiar attitudes may serve in a stable world, but we don't have that luxury any more.

The emergence of a global economy, the new issues of security and terrorism, a downward spiral in the world's financial markets and the scandals that continue to undermine our trust in business have left Americans facing dramatic change. Their faith in a free-market economy has been challenged by stark evidence that the system is flawed and in need of monitoring and regulation. As for their core belief that capitalism is the tool that guarantees freedom and democracy, it is clear this is not easily transportable to troubled regions.

In the 19 months since 9/11, the change has been profound. Understanding how powerfully that event has shaped the American psyche, understanding how it created the lens through which they see the world, see everything for that matter, and understanding their experience—the fear, anxiety and anger— form, whether we like it or not, the context for this relationship.

For example, the pollsters tell us that "the events of September 11 have affected American public opinion more dramatically than any event since World War II."

And at no time since 9/11 has fewer than a majority of Americans expressed fear about future possible terrorist attacks.

The Pew Research Centre data shows the extent to which terrorism—and the response to it—is now a very personal issue. The figures are quite startling:

- Forty-six per cent of New Yorkers said they knew someone who was injured or killed in the attacks;
- Among New Yorkers living or working in midtown or lower Manhattan, that number jumps to 59 per cent;
- Even the long-standing gender gap on defence is disappearing, with women, by a two–to-one margin, favouring President's Bush focus on the war against terrorism versus domestic policies.

Sometimes explaining the current state of American thinking and the feelings of American political and business leaders provokes some odd responses here in Canada including denial and anger and some even suggest the Americans should "get over it."

Well, in the first place, as we used to say in the journalism business, don't shoot the messenger.

Secondly, it's really unhelpful. We cannot tell people that their "feeling and fears" are not legitimate or not real because we don't want to hear it or because we might disagree with the actions of governments or individuals in response to it.

Only through understanding their state of mind do we have a chance of recapturing our relationship.

So let's look at the broader picture—at a few of the values we share and the attributes that highlight our differences.

Even one of the most obvious differences in approach—our view of the role of government—is merging with theirs; 9/11 rekindled an American perspective on the value of government.

Canadians have long relied on government as a vehicle for nation building and as a legitimate force for supporting infrastructure and people across a large country, sparsely populated. The railway, the radio and even air transport were subsidized. Government helped knit a nation and economy together. Americans instead relied on ready markets, a robust private sector and a spirit of individualism.

Now, don't get me wrong. It's not that Americans necessarily like government any more, but rather they see the need for it.

There is the myth of the mosaic vs. the melting pot—the view that we're the multicultural nation and they're the one that demands homogeneity. Well, Hispanics now outnumber African-Americans; advertising on NY subways or on ATM screens is often in four languages and there are at least five foreign-language stations on my cable system. The U.S. is an importer of people with more than one in 10 residents foreign-born.

Another point of contrast is religion. In Canada, few politicians or public figures would end any speech with "God Bless Canada."

Nor would they say what Rudy Giuliani said in Toronto just a few months ago: that it was his faith that allowed him to stand and lead during 9/ll.

This is not new or the result of a more powerful moral majority or of President Bush's personal views. Recall that Dr. Martin Luther King's civil rights movement was founded on a religious base. Indeed the pilgrims came in search of religious freedom.

We even see our differences in the reaction to SARS. That I am standing here today makes me "persona non grata" in many offices and buildings in New York. Why?

Because a private health system, an insurance industry strained by 9/11 and the more litigious nature of U.S. society mean companies cannot afford the legal liability that would come by exposing their employees to those who come from areas singled out by the WHO as danger zones.

We know of these differences because Canadian views of Americans are firsthand.

Almost nine in 10 Canadians have visited the United States, nearly double the number of any other country, including Mexico and Great Britain.

Yet, despite our proximity, we still—too often—have a communications disconnect. Let me explain.

Especially for a former broadcast journalist, New York is the media capital of the world—a perfect spot to embark on improving the American understanding of Canada.

But I also know that news is about three things: conflict, change, and stories that are counter-intuitive.

SARS, our position on the war, softwood lumber, Kyoto or tactless political comments that take root so easily in today's cable culture are the stories that grab the headlines. And still, depressingly, not a week goes by that I do not deal with the "fact," as reported by CNN on Sept 11, that the terrorists came from Canada.

But the disconnect is not just over legitimate points of difference. That's expected. But we often use the same words, yet mean different things.

We talk of "free trade and smart borders to ensure the free flow of goods and people."

Yet to American ears, the talk of trade at a time like this can seem a little callous with their kids fighting and dying. We are perceived by some to be crassly interested in dollars and cents. Hardly our self image!

When Americans hear "free flow of goods and people," they think "possible threats to security through porous northern borders."

So they want tighter scrutiny of those travelling in and out of their country and we then counter with fears about infringing on "personal rights."

Well, for many Americans—particularly New Yorkers—security is very personal. For all who live in NYC, reality is soldiers in the subway, armed guards at the entrances to office buildings and art galleries and orange alerts.

The night the war with Iraq began, I sat watching CNN in my apartment. I heard a loud crack of thunder and saw a flash of lightning through my window. Minutes later, local news anchors broke into the national coverage to assure New Yorkers that it was just bad weather, not the next terrorist attack that everyone believes is inevitable.

Now, we tend to believe that we are far more informed about our American neighbours, than they are of us. Factually that may be true as 90 per cent of us live within a couple of hundred miles of their border with access to their media, while 90 per cent of them live beyond those couple of hundred miles in the other direction.

They don't consume our media and they travel less frequently so they lack a context for understanding a different political system or culture. But that's not just their problem, it's ours.

So my challenge is not only to correct the record but to tell the new Canadian story: a country with stellar economic performance; a country that is the most highly educated in the world, offering a work force unparalled in the G-8, or to discuss the Canada-U.S story from a perspective that would not normally be associated with us—breaking the traditional thinking and perceptions of our country, or as I call it "myths of mounties, manners and maple syrup.

We're wired and high-tech. It's Canada, not Japan, that is exporting the Blackberry and it is Canada that is not only their largest trading partner but their largest energy supplier.

Most Americans are surprised to learn that we supply almost 100 per cent of their imported electricity, 94 per cent of their natural gas needs and more crude and refined oil products than the Middle East.

Trade is, of course, key. The U.S. is our largest customer—and we are theirs in 38 states. Over the 5,500 miles of "the longest, undefended border in the world," a truck crosses every two and a half seconds as do some 200 million people every year.

And on any given day, up to 200,000 Canadians may be in New York City, working, shopping or visiting tourist sites.

Today and every day, $1.2 billion of goods and services cross the border. That means US$1 million of business every minute, 24 hours a day, seven days a week, 52 weeks a year, crosses the Canada-U.S. border, supporting over two million jobs in this country.

By just about any accounting, NAFTA has been a great economic success on both sides of the border. But the U.S. will always jealously guard the advantage of its existing trade remedy law. And while we may have dispute settlement mechanisms, they are based on U.S. laws and are subject to U.S. political interests. And as we know, all politics is local, especially in election years which is now almost every year in the United States.

U.S. President Dwight Eisenhower once said, and many others have echoed the sentiment: "Change is the law of life and of relations between the two nations and change brings in its wake problems, sometimes frictions."

Looking at that border, that undefended border, is a case in point.

The prominence in the United States of "security" of the homeland is an issue that is new to many of us, and well understood by few of us. It also has the potential to further impact the dynamics of the Canada-U.S. relationship, just as we have seen it impact America's relationship with Europe and with the United Nations.

Steven Brill, an American writer and self-defined First Amendment absolutist, has written a book calling for a recalibration between freedom and security in a society where first amendment rights, the freedom of speech, are regularly trumpeted. He has said: “If you think security is an issue now, wait until the first suicide bombing in New York, which he considers inevitable. People will look back at these past few months in terms of the minor adjustments and view them with nostalgia.”

Today, homeland security in the United States is about every access point to the United States. It is not just about our border. It is about intelligence co-operation with Europeans, it is the harbour in New York; it is the security of the New York City subway; it is guards at temples, mosques and churches and the public buildings in many cities; it is about airline entries from all around the world.

Until we comprehend the magnitude of homeland security to Americans and the importance it holds for our neighbours, we will have a communications disconnect that goes to the core.

Deputy Prime Minister John Manley, based on a strong and very productive personal relationship with Homeland Secretary Tom Ridge, is dealing with this through a 30-point Border plan—a mammoth and crucial undertaking—and progress is good, which is nothing short of a miracle given the sensitivities.

This security issue is about more than just an agreement. It is also about understanding, support and action and trust.

And it is through the security lens, that the Americans see Iraq.

From the U.S. perspective, the inability of the U.N. to act left the U.S. with no option but to protect itself from the future possibilities of another terrorist attack, aided and abetted by a rogue government in Iraq.

And agree or not, for Americans the reality is that this war began on September 11. It's part of a continuum that runs through to the routing of the Taliban from Afghanistan, and moves forward to the war in Iraq—just another step along the path to remove terrorist threats around the globe. Americans see the war as a pre-emptive and defensive strike.

Much is made of the so-called new Bush "doctrine" of pre-emptive action and of the administration's ideology in general. This is not new; even Bill Clinton talked of "regime change."

So while some elements may be new or startling to some, we should not see the President's approach as a sudden departure in U.S. policy or practice.

Let me read a quote here: "These are extraordinary times. And we face an extraordinary challenge. Our strength as well as our convictions has imposed upon this nation the role of leader in freedom's cause…we stand for freedom. No friend, no neutral and no adversary should think otherwise."

The hawkish words of George Bush on the eve of war? No, the words of JFK on May 25, 1961. A Google search of remarks by presidents both before and after Kennedy produces similar sentiments.

To further put Iraq in context, let's take a look at American views and attitudes about this.

Before 9/11, there was little public support for American military intervention. During the Clinton presidency the American public was kicking and screaming about interventions whether in the Balkans or Kosovo. Clinton's approval ratings fell more during the air strikes in Kosovo than during the entire span of the Monica Lewinsky scandal.

After 9/11 support for military spending doubled. And in March this year, 60 per cent of Americans favoured military action against Iraq, although only 33 per cent were willing to go it alone. As the war proceeded, an overwhelming majority supported the action with or without the allies.

But as one American columnist recently noted about the war in Iraq: "Simply put, the public's view can't be put simply." Another said, with the war underway, "There is no use polling for American opinion, in this war…their minds are not open to probing because the views are personal, from the soul and very complex."

My sense is that Americans entered this war with a national conundrum, worried about their security, recognizing the need to deal with the terrorist threat—yet still valuing the views, desires and support of their allies and hoping for a global consensus.

It is hard for us to imagine—given the well-entrenched stereotypes—that the all-powerful Americans, the superpower, can feel vulnerable, alone or hurt and misunderstood. But they do.

It was in this sense, that Americans are left wondering where we and others were—especially after working together to address other global threats through World War Two, the Cold War, Korea, Kosovo and most recently Afghanistan.

Canada chose not to participate in the war because of our longstanding belief in multi-lateralism and the United Nations. We did not see the immediate threat that Washington perceived and Americans felt. Our decision was applauded by some, but "disappointed" many, as Ambassador Cellucci so starkly described it.

The debate surrounding why, who said what, or did or did not join forces with the Americans was predicted in a new book by Robert Kagan at the Carnegie Endowment. In "Of Paradise and Power," Kagan talks of the "moment of truth" that Iraq has created in European-American relations. It is an insightful discourse and one of great interest to us because of course we have a strong historical tie with one and a profound contemporary tie with the other. Europe, he says, sees the U.S. as unilateralist and belligerent, using its economic and military clout because it can. For its part, the U.S. sees Europe as spent and weak, unwillingly to defend western ideals because its ability and capability has been undermined and because it has counted on the U.S. to keep the peace and do the dirty work.

Kagan explores the "impasse," allowing each to see themselves through the eyes of the other. I can't begin to give you a proper précis but I recommend this book for its impartial representation of how the U.S. and Europe—which wanted to be a rival superpower—will move forward to deal with the widening power and an ideological gap.

There are other important debates emerging as well in the wake of war.

A recent article in the NY Times magazine quoted the well-respected head of the International Peace Academy, David Malone, a Canadian and a thoughtful observer and proponent of the United Nations, as warning that while the U.N. will survive, the Security Council is "fatally wounded" in terms of when and how the U.S. will use it or respects its views.

And one further interesting comment about the war from Thomas Friedman of the New York Times who has observed that this is the first time the United States has used its "revolutionary versus preservationist power" in the Arab world. Traditionally, America has worked to preserve the status quo in the region, keeping in place kings and autocrats. The first Gulf War restored the monarchy in Kuwait and left Saddam Hussein alone.

Even if this war is about the ideals of democracy and freedom and not oil, delivery on such a promise is proving difficult.

Yet, it is worth noting that in the wake of war, North Korea has come to the table, Syria is co-operating and even France has offered an olive branch.

So the Americans are facing new challenges on both the foreign and domestic fronts.

With what I have mentioned about job insecurity, homeland security, terrorism and the debate over civil liberties and the need for increased scrutiny, turmoil in financial markets and corporate transgressions, you might think we would find Americans standing still, running scared and retreating, shutting down or hiding out.

Not so. Americans are drawing on their personal resources to find comfort, to the extent possible, in the "new normal."

They are spending more time with friends and family. They believe they have the resources and smarts to forge ahead for a positive future, despite the uncertain times and the inevitable tensions caused by the international realignments.

This is precisely why I believe there is such an opportunity at this time because, on the basic values, we share common cause.

So what is the way forward? Well, let's start with the ties that bind.

Currently, the Canada-U.S. relationship is governed by some 200 treaties and agreements that provide a solid legal basis for Canada-U.S co-operation on everything from defence to stewardship of the environment to our trade relationship and management of the border.

As we enter the 10-year point of NAFTA, the economic space we share as two nations has become bigger than the political space we share.

And despite many of our fears when we embarked down the free trade path, we still have our health care; control of labor relations; jurisdiction over resources; and, ultimately, our sovereignty: the right to make national choices—self-interested ones by definition—within our own borders.

And part of that self-interest is to have continuing and secure access to the American market. To do that we will have to work together to ensure North America continues to be a land of freedom, not the future theatre for armed and terrorist conflict.

In other words, the security issue is a key part of that trading relationship.

Initiatives to further economic success, improve security and protect our way of life are not "us and them" questions. This is not about good and bad guys. It is not about whose health-care system is better or worse nor is it about whose society seems more equitable. It's about us. Two sovereign nations, sharing common space—partners who can talk honestly and openly about this relationship.

Call it constructive engagement. It's confronting and conversing with the other but not trying to establish a moral superiority in that conversation.

With the success of the world's largest trading relationship, we have demonstrated to ourselves that Canada and Canadians have the ability to compete and excel. And there is no shortage of suggestions as to how we move ahead.

Some say we need a grand new bargain with our American neighbour. Others suggest a slower, more incremental approach. To engage the Americans in this debate is an ambitious venture. There are sensitivities and obstacles. But to paraphrase a former Canadian ambassador: "We cannot just coast or drift because we think bold action is beyond our reach or not worth the political capital we would have to spend." The state of our political relationship will in large measure determine which course is followed.

Henry Kissinger once said that Canada and the United States "are doomed by geography and history to friendship." (Colin Powell made the same point just a few days ago that despite our differences we remain "inextricably intertwined.")

But rather than history and geography "dooming" us to friendship, it seems to me they serve as the base for this relationship.

These may not be the easiest of times. But as Ambassador Cellucci has said: "We've hit a bump. It's not a cliff."

Despite the current climate, we have the confidence to support the U.S. when we believe it is right and the courage to oppose it when we think it is wrong. And it is a relationship that makes that possible.

We share responsibility for leadership that achieves prosperity; secures North America; and maintains respect for our individual nation states.

As the Prime Minister says: "It is about our people who work together, marry each other, go to school together, and sometimes even live in one country and go to work in the other."

And we may, on both sides, have to work a little harder. And we will no doubt, from time to time pursue different approaches to achieving the same ultimate goals: development and support of free democratic societies at home and around the world.

One of my strategies for keeping Canada on the map in New York and the United States is to more often showcase some of our "best and brightest" in what is arguably the toughest market in the world.

Our authors, our thinkers, our scientists, our entrepreneurs—even our golfers—easily garner attention.

But our moving forward with our American friends and neighbours is going to take more than a parade of Canada's best and brightest. And we can't simply expect the U.S. to notice.

I see, as a key part of my job, being an ambassador to Wall Street because economics is at the core of this relationship, but culture, trade, academic partnerships, new border agreements, revamped immigration rules are all strategic tools to garner the right kind of attention in one of the most competitive markets in the world.

I am also here to enlist you. You are all our ambassadors with your ideas, successes, innovations and varied points of view.

We have the ideas, the people and the proximity. We can be a more aggressive, more understanding and more informed player in the U.S. marketplace of ideas.

It's not easy telling our story in a place where the cacophony is deafening and the competition stiff—where everyone has a story to tell and the Americans tend to find their own story most interesting.

Rather than blame Americans for what we perceive as their lack of knowledge and ambivalence, we must work hard to better understand why we are misunderstood and to undertake whatever we must do to ensure we tell our story and that it is heard.

In a letter to an American friend, Pierre Berton, a Canadian nationalist author, once wrote: "It's not your love we want; it's your understanding. And that, I guess, we can never have until we understand ourselves."

Well, in the last 10 years we have come a long way in understanding ourselves. But, we often stop a little short of communicating our accomplishments, and sometimes we still seem a little defensive.

We need to re-invent our story to match the modern reality. Maybe it is time to set aside the "Sunshine Sketches" and the "mounties and maple syrup" approach to selling ourselves.

And what better place than New York—media centric, business savvy and marketing wise—to begin the job of explaining the new image of Canada.

While the task has not been as easy as all that sounds, I think we are on our way.

And no relationship, whether personal or between countries, is simply determined by single issues of the day, nor is it immune to issues of the day.

Let me also say this. The importance, breadth and depth of the overall Canada-United States relationship are so extensive and important to both countries, that it is critical that we keep "issues of the day" in the broader perspective. In that respect we come to the table, not with hot heads or morally superior attitudes, but rather with shared history, the perspective that that offers and a willingness to preserve what is no doubt a special relationship.

Special but complicated. But I am a realist.

It was, however, a great American journalist Sydney Harris whose words are the most powerful call to action: "An idealist believes the short run doesn't count. A cynic believes the long run doesn't matter. A realist believes that what is done or left undone in the short run determines the long run."

Please join me in doing what needs to be done.

Thank you.

The appreciation of the meeting was expressed by Ann Curran, President, The Empire Club of Canada and Director, Corporate Development International.

Elizabeth Dowdeswell, President and CEO, Nuclear Waste Management Organization and Allan P. O'Dette, Director, External Relations, GlaxoSmithKline.

April 30, 2003

Sheila Fraser

Auditor General of Canada

HOLDING THE GOVERNMENT ACCOUNTABLE FOR ITS MANAGEMENT OF RISK

Chairman: **Ann Curran**
President, The Empire Club of Canada

Head Table Guests

Charles S. Coffey, Executive Vice-President, Government and Community Affairs, RBC Financial Group; Tristana Martin-Rubio, Student, Parkdale Collegiate Institute; Rabbi Perry Cohen, Facilitator, Teacher and Author; David W. Smith, FCA, President and CEO, Canadian Institute of Chartered Accountants; Erik Peters, FCA, Provincial Auditor of Ontario; Fred Gorbet, Director, The Empire Club of Canada; Alain Benedetti, Vice-Chair, Ernst & Young; Elizabeth Dowdeswell, President and CEO, Nuclear Waste Management Organization; and Allan P. O'Dette, Director, External Relations, GlaxoSmithKline.

Introduction by Ann Curran

On the way in this morning, I couldn't help thinking of how this luncheon is a sign of the times and will probably cause one or two of this club's founding fathers to roll in their graves.

You see, 100 years ago, the club was founded by men to discuss government, business and other issues of the day.

Today, the club is presided by a woman. We have an honours student who is devoted to opening opportunities for female students and a speaker who is the first woman to hold the position of Auditor General of Canada—one of our government's most senior and accountable positions. Imagine their horror! A woman is ensuring federal government operations and spending are efficient and effective!

However Sheila Fraser is not afraid of breaking new ground, being controversial and raising eyebrows.

Since taking office in May 2001, she has tabled four reports in Parliament, all of which have garnered significant attention. She has been widely praised for the clear and candid way in which she holds the government accountable for its stewardship of public funds.

In December, Ms. Fraser's report took the government to task for failing to give Parliament sufficient information about the escalating costs of the Canadian Firearms Program. Ms. Fraser released another report in early April.

Ms. Fraser will discuss how the work of her office contributes to improving the management, performance and accountability of the federal government. She argues that success in this realm will not only give taxpayers greater value for their money, but will give Canadians stronger public institutions, a better country and a healthier, democratic society.

But first, let me tell you a little bit more about Sheila Fraser and her background. You see, she never planned to be an accountant.

She actually started out in science, but by her second year, she found that the math was too theoretical for her taste. It was her family doctor, of all people, who suggested she try accounting. She did and she's never looked back.

She graduated from McGill with a Bachelor of Commerce in 1972 and was hired by Clarkson Gordon, which is now Ernst & Young. Of the 150 accountants in the Montreal office, she was one of a handful of women. Two years later, she became a Chartered Accountant and doors started opening.

Her new designation helped her get a promotion to manager in 1976. A year later, she was transferred to the firm's Quebec City office. There, she was responsible for a wide range of private and public-sector clients.

In 1981, she became the second woman to become a partner in the firm. Two years later, she had her first child—not just her first but it was also a first child for an accounting partner, not only in Canada, but also in the United States and the United Kingdom as well.

In fact, it was such a novelty that the firm had no maternity leave provisions for partners. Needless to say they do now!

Sheila stayed with the firm for 27 years. In 1999, she joined the Auditor General of Canada as Deputy Auditor General of Audit Operations. Then as mentioned, in 2001 she was named Auditor General of Canada.

Mrs. Fraser has always been active in her profession at both the provincial and national levels. For her noteworthy service to the auditing and accounting professions, she was awarded the Prix Émérite 1993 and the designation "Fellow" by the Ordre des Comptables Agréés du Québec in 1994 and by the Institute of Chartered Accountants of Ontario in 2000. She is also a recipient of the Governor General's medal commemorating Canada's 125th anniversary and a member of the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

She is currently Chair of the Working Group on Environmental Auditing, and Chair of the Sub-Committee on Independence of Supreme Audit Institutions, two committees of the International Organization of Supreme Audit Institutions (INTOSAI). She is also a member of the Executive and Board of Governors of the Canadian Comprehensive Audit Foundation.

Ladies and gentlemen I give you Sheila Fraser.

Sheila Fraser

Good afternoon everyone.

Thank you for that kind introduction. I must say I feel very honoured and quite humbled to follow in the footsteps of so many distinguished men and women who have addressed the Empire Club throughout its long and illustrious history.

Today I would like to talk to you about risk management. I am very conscious that the abstract concept of risk is taking on ever more concrete meanings in our daily lives.

New diseases like SARS and the West Nile virus have heightened our awareness of threats to our well-being. And have compelled us all to carefully think through how we will manage such risks, as individuals and as a collective.

A few weeks ago I tabled a report in Parliament that looked at how federal government departments are managing risk.

As Auditor General, one of my key priorities is to promote an effective public service. I believe that good risk management is fundamental to good management and to serving the public effectively.

In my time here today, I'd like to talk about what the federal government can do to step up its efforts. I'll draw some examples from my recent report of where the government needs to manage risks better, and where it is doing well.

Risk Management and the Public Sector

Almost nothing we do in life is risk-free. Taking risks is part and parcel of being human. The "great American philosopher" Homer Simpson even goes so far as to say that taking stupid risks is what makes life worth living! I can't say I share THAT belief!

To deal with uncertainty, we all actively manage risks every day—both large and small—as we go about our business and live our lives.

We manage risks when we bring an umbrella to work in the morning, when we buckle up our seatbelts, when we have our children immunized, when we invest in a particular stock, when we move to another city to accept a more challenging job…

Not only do we try to prepare for and minimize calamity when we take risks, but we also take risks in order to profit from a good opportunity.

And just as risk is a given in life, it is also a given in organizations—and the federal government is no exception.

I'm sure we'd all agree that the public sector has a special responsibility to manage risk well, given its unique and critical role in assuring the safety and security of

Canadians and in protecting their health and the environment.

After September 11, we are now all much more aware of negative risks such as terrorism. It is always worth remembering that the ultimate consequence of poor risk management can be the loss of human life.

In the government context, managing risk means more than focussing on what can go wrong. It also means taking advantage of opportunities—to improve services or lower costs, for example.

As the deadline to submit tax returns rapidly approaches, it's worth mentioning that a number of years ago, the Canada Customs and Revenue Agency took the risk of introducing filing over the Internet, which has made preparing tax returns a lot quicker and easier for many Canadians.

The agency's decision to do that had to take into account some serious risks—security and taxpayer confidentiality, among others—and how to manage them. And the payoff—increased taxpayer compliance—had to be worth the effort and expense of managing these risks.

A sound and systematic approach to risk management distinguishes managing effectively from merely coping.

Two years ago, the federal government introduced its Integrated Risk Management Framework. This was a definite move in the right direction. It explicitly recognized the importance of good risk-management practices and linked them to a larger initiative to modernize management within the federal government.

But so far, government departments have only just begun to implement this framework. And our recent audits have turned up a number of specific areas in which government departments are not managing risk as well as they could.

Role of Auditor General

But before I get into more detail about risk management in government, let me explain how this fits into my responsibilities as Auditor General.

In our political system, Parliament, the government and the public service are the guardians of public funds entrusted to them for delivering programs and services to benefit Canadians.

An important part of the confidence that people have in our democratic institutions is their belief that public funds are spent wisely and effectively.

There must be—and there must be seen to be—value for money spent, compliance with authority, and environmental stewardship.

It is the job of the Auditor General to audit government operations and provide the objective information that Parliament needs to hold the government to account for its actions.

For most of our existence, the main role of the office was to audit the government's books, but in 1977 our mandate was broadened significantly.

We acquired the authority to conduct value-for-money audits that look at the three "E's" of government activity: whether programs are delivered economically and efficiently, and whether measures are in place for determining their effectiveness.

In 1995, a fourth "E" was added: environment. Parliament created the position of the Commissioner of the Environment and Sustainable Development within the Office of the Auditor General. Today, that position is held by Johanne Gélinas.

Along with her team, she audits environmental issues and monitors how well the federal government is doing in meeting its commitments to sustainable development. In addition to auditing about 70 federal government departments and agencies, 40 Crown corporations, 10 departmental corporations and 60 other entities and special audits, my office audits the governments of the three territories and some 15 territorial agencies. We also audit several United Nations agencies, including UNESCO.

By the very nature of our auditing work, we often find ourselves in the position of reporting on cases where risks have not been managed well and where problems have resulted. Or where we have to sound the alarm about risks that are not being managed well and which may create potential problems.

Integrated Risk Management

That's a key reason we looked specifically at how well risk management was being carried out by government departments in our recent report. By taking a systematic approach to risk, integrated risk management can make a significant contribution to better management in the public service.

To make this happen, departments need to do several key things.

First, they need to ensure that they have reliable information about the hazards and opportunities at stake, and that they have good tools for assessing risk and competent people trained to use them.

Then they need to think through and communicate their tolerance or "appetite" for risk—the levels of risk they are prepared to accept.

Finally, they need to integrate risk-related factors and the development of mitigation factors into their day-to-day management practices and their overall strategy and decision-making processes. They also need to establish good performance indicators.

So, what have federal departments done to date?

In our recent audit, we looked at a sample of six departments—and all six were missing crucial elements in their strategies to implement the framework. Only two departments had any action plan at all, and even those didn't specify who was responsible for carrying out specific tasks and by when. None of the departments had completed risk profiles that set out their risk tolerances, even though this is the very foundation of integrated risk management.

We recognize that the federal government is an extremely large and complex organization and that making government-wide management reforms will take time and effort. Ensuring that this initiative doesn't stall across all 70 federal departments will require the commitment of senior management, co-ordinated efforts to communicate its benefits to those responsible for implementation, and lots of practical guidance and advice from the central agencies. We urge the government to take the time and make the effort.

When the Integrated Risk Management Framework is fully in place in the federal government, it will help take the guesswork out of managing risk. This will go a long way toward creating a risk-smart work force and a culture in the public service that promotes innovation, while at the same time protecting the public interest and maintaining public confidence. And it will ultimately benefit all Canadians.

Managing Risk at Our Borders

As I mentioned earlier, my recent report noted a number of areas in which government departments are not managing risk as well as they could.

Let me take the risk at our borders as an example. Every year, 100 million people present themselves at Canada's ports of entry. Determining who is a legitimate traveller and who should not be admitted to the country is an enormous challenge, but a vital one, given the need to facilitate the movement of people into the country, while helping to protect our safety and security.

The sheer volume of visitors rules out an in-depth, time-consuming assessment of every single visitor. This could slow trade and discourage tourism.

Immigration officials rely on primary inspectors from the Canada Customs and Revenue Agency to interview travellers as they arrive at ports of entry. Customs officers refer about two million of these for secondary examination by immigration staff.

One problem is that the Immigration Department can't tell us how effective these border controls are. To manage risk effectively, it's important to know how well we are doing at keeping people, who should not be here, out of the country. The fact is that border controls have not been assessed since the mid-nineties, and in the past, both primary and secondary screening has been found to be inadequate.

A 1992 study of primary inspection found that in one period studied, up to 80 per cent of potentially inadmissible people who should have been sent for more in-depth screening by immigration officials were allowed into Canada.

A 1994 study of secondary inspection showed that immigration officers identified only half of the people who shouldn't be allowed into the country. Officers admitted they were particularly poor at catching people who should be blocked from entry because of a criminal record, or because they were a threat to public safety, or were using false travel documents.

Has the situation improved? The fact is we don't know because there has been no recent assessment.

We strongly urge Citizenship and Immigration Canada to regularly examine the performance of its border controls. It's the only way of knowing for sure whether the steps they take to improve the security of our borders are effective.

Once people are in the country who should not be—for whatever reason—it is the job of Citizenship and Immigration to enforce their removal.

Another problem that we highlighted is the large gap between the number of removals that have been ordered and the number of departures that have been confirmed. This number has grown by 36,000 in the past six years.

Now, we should be careful not to jump to conclusions about what this means. It doesn't necessarily mean that all these people are still in Canada illegally, and it certainly doesn't mean that they are all security risks.

Immigration doesn't actually know how many are still here, because Canada does not have exit controls and some may have left without reporting their departure. I think it's unrealistic to expect this gap to be reduced to zero.

It seems to me that the combination of imperfect border controls and the backlog in removals threatens to undermine the integrity of our immigration law. If you have a law in place and never enforce it, why would people bother to respect that law? Why would people go through the procedure of trying to arrive legally in this country, if they can come in illegally and there's no consequence?

But this is where good risk management comes in. The department needs to determine how much risk it is willing to tolerate, and then work toward meeting that goal. On the positive side, the department has taken a significant step to stop inadmissible travellers from entering the country in the first place.

In the past three years, its immigration control officers have worked with airlines overseas to prevent some 20,000 people with improper or fraudulent travel documents from boarding flights to Canada.

Given that it is easier and more cost-effective to stop travellers from entering the country before they board an aircraft than to remove them after they come in, this is a good example of allocating resources according to risk.

Conclusion

So to sum up, I hope I have succeeded in communicating the importance of good risk management in the federal government. Not only is it vital to managing resources more efficiently and making better decisions, but ultimately it will contribute to making the public service more effective.

Integrated risk management will help departments make wiser decisions about the environmental strategic, operational, political and financial risks within their control and help them to respond better to risks beyond their control.

As auditors, we are too often perceived as being out to expose government waste and corruption. But our ultimate objective is really to help government operate better. And so, as we go about this work, we strive to be constructive in our criticisms.

Yes, our audits do find shortcomings. That's the nature of the beast. But we also try to suggest solutions to the problems we identify.

We also recognize the huge challenges inherent in delivering large and complex government programs and services and in undertaking wide-ranging government management reforms.

When we make recommendations for change, it is with the utmost respect for federal institutions and for the men and women who dedicate themselves to public service. Canada is very fortunate in the calibre of women and men that work for all of us—both those who provide day-to-day services and those who have life-and-death responsibilities.

After almost two full years of serving as Auditor General, what I've seen convinces me that the vast majority of public servants and politicians take very seriously the need to carefully manage public money to meet the needs of Canadians.

A critical source of people's confidence in government is their belief that public funds are spent wisely and effectively. Another source of this confidence is the transparency that supports criticism of government operations many times a year. This is a hallmark of an open democracy—one that is envied by citizens of many countries throughout the world.

This year the office celebrates the 125th anniversary of the appointment of Canada's first independent auditor general. My staff and I are extremely proud to be part of a long history of dedicated service to Parliament and to Canadians. We're proud to play such a unique and important role in making Canada a better place for all of us.

The appreciation of the meeting was expressed by Fred Gorbet, Director, The Empire Club of Canada.

John Quinn, Partner, GBC Asset Management Inc., Harry T. Seymour, PEng., FFAF, President, Waterston Financial Inc. and Past President, The Empire Club of Canada and Linda Hasenfratz, President and CEO, Linamar Corporation.

May 8, 2003

W. John Wright

Senior Vice-President, Ipsos-Reid

Bart Mindszenthy

Author and 2nd Vice-President, The Empire Club of Canada

PARENT CARE: THE LATEST, GREATEST CHALLENGE FOR BABY BOOMERS

Chairman: **Ann Curran**
President, The Empire Club of Canada

Head Table Guests

William G. Whittaker, QC, Partner, Lette Whittaker and 3rd Vice-President, The Empire Club of Canada; The Reverend Vic Reigel, Christ Church, Brampton; Steve Rudin, Executive Director, Alzheimer Society of Canada; Marion Walsh, President and CEO, Bridgepoint Health; Joel Weiner, Region Director General, Ontario and Nunavut Region, Health Canada; Frederic L.R. Jackman, CStJ, PhD, LLD, President, Invicta Investments Incorp. and Past President, The Empire Club of Canada; Susan Donaldson, CEO, Ontario

Association of Community Care Access Centres; and Geoffrey, C. Mitchinson, Vice-President, Public Affairs, GlaxoSmithKline.

Introduction by Ann Curran

Today's guests are going to discuss one of the baby boomer's greatest challenges—parent care.

Millions of aging Canadians are now faced with a challenge, for which they're mostly unprepared: caring for their elderly parents or other loved ones. The resulting pressures impact on how baby boomers live and work.

We will hear from John Wright, Senior Vice-President of Ipsos-Reid, on the results of a special national poll and other relevant data that examines how Canadians are coping with eldercare and the issues they say are pressing.

Following John's research and comments, we will hear from Bart Mindszenthy—co-author of "Parenting Your Parents: Support Strategies for Meeting the Challenge of Aging in the Family."

Bart will share some of his observations and discuss the six key lessons all boomers should embrace as they help their parents while trying to balance their own lives.

For those of you who may not know John or Bart's background, let me share it with you now.

John Wright is a Senior Vice-President for the Canadian Public Affairs Division of Ipsos-Reid Corporation.

In addition to his client responsibilities, involving strategic and tactical communications research, John has been the lead media spokesperson for the company for the last 13 years on politics, policy and consumer trends.

He also hosts a weekly radio show for Canada's largest NewsTalk station, Toronto's CFRB, called "Your Opinion Counts."

A graduate of the University of Toronto in 1980, he served as an Ontario parliamentary intern and an executive assistant to a provincial cabinet minister.

John's two decades in public affairs have included terms as Senior Co-ordinator of Government Relations for Manufacturers Life Insurance Company, vice-president of a leading advertising firm and executive vice-president of a media and public relations company.

Mr. Wright is a Founding Director and Past President and named a "Life Member" of the Public Affairs Association of Canada, a Founding Member and Member of the Advisory Board of the American Chamber of Commerce in Canada, an author of the Carswell Public Affairs Handbook and he has shared in the prestigious International Association of Business Communicators'

Jake Wittmer awards in 1995 and 1997 for outstanding research communications programs.

John served on the Board of Directors of the Clarica Life Insurance Company of Canada from 1999 to 2002. He is also a member of the Advisory Board of the Dominion Institute of Canada and is on the Canadian Advisory Board of the Washington D.C.-based Woodrow Wilson Center.

Ladies and gentlemen please welcome John Wright.

John Wright

Madam President, distinguished head table guests, members of the Empire Club, ladies and gentlemen: I stand here in the footsteps of Dr. Angus Reid, our founder, who addressed this body in 1991.

While our company name today is well known across this country, it wasn't always the case. In fact, Angus's speech, that dealt with the Constitution, Quebec separatism and the Quebec Referendum, was actually the very first time he appeared in Toronto, and arguably to the nation, on a dais that would propel his remarks so extensively into the public domain.

That speech was commented on far and wide and signalled not only the insights of one of Canada's most renowned public-opinion thinkers who would soon evolve into the renown that he justifiably bears today, but also was the prologue of one of Canada's most defining moments in the twentieth century.

My presentation today deals with "Parent Care: The Latest, Greatest Challenge for Baby Boomers." While being here marks another landmark for our company, on the surface parent care may not sound as important as the nation's constitution. But I have learned never to underestimate the power of social trends in changing the very backbone of our country. And I believe that parent care is one of those issues.

I share this podium today with Bart Mindszenthy who has co-authored an insightful book on the dynamics of "parenting your parents." This dual format means that I have half the time usually allotted to an address (which means that he does as well) and so in the next 10 minutes or so I want to give you a peek at, as opposed to a journey through, some of the key findings of public opinion on attitudes concerning this issue. The challenge for me is to keep my remarks brief (My wife is quick to note that I can't even say hello in 10 minutes).

On the other hand, this is a prologue for what will play out over the course of the next two decades and will have such an impact on our society, its institutions, its health-care dimensions and literally millions of Canadian families that it will change the way we think about ourselves—and act with each other—forever.

David Foot's seminal work "Boom, Bust and Echo" which outlined the impact of a growing and aging population in Canada, is upon us as a nation. Indeed, our national grey boom will affect all of the touchstones that we have—advertising, consumer goods and services, tourism and travel, accommodations and housing, and health care—in the years to come. Even this past weekend, Canada's Minister of Citizenship and Immigration, Denis Coderre, pointed out that over the next five years Canada will need at least one million more skilled workers, drawn mainly through immigration, not only to keep up with our pace of growth, but particularly to replenish the places left by those in the work force who are retiring.

Given this, it should also be no surprise that the Ontario government last week announced its intention to rid barriers of mandatory retirement for those over the age of 65 in the province. The workplace, employers and benefit plans for employees will all be predictably affected over the next number of years as 15 per cent of our current work force will be within 10 years of retirement by the end of this decade. Not to be subtle, boomers who are now between 37 and 55 years old currently make up 47 per cent of the work force and in 10 years, half of them will be over 55.

Today in this country, there are more people over the age of 55 than under age 15. Two and a half million Canadians are currently between 60 and 69 and 2.7 million Canadians are currently over 70. When you comprise these two groups, it makes up 5,250,000 adults or 22 per cent of the adult Canadian population—well over two out of you at every table here today.

Finally, by 2006, three million Canadians will be over 70 and in 2011 one million will be over 80.

Those are a lot of numbers to digest in terms of demographics. But they underscore that in a country where we're living longer and where the boomer bulge is leaving a deep wake behind it, it is about to have an enormous impact on our health-care system and will challenge our long-term care plans. And those plans are on the cusp of an explosion—ranging from long-term-care insurance and home-care services to new public and private care and housing facilities to name a few. Even health-care workers will face dwindling ranks as upwards of 25 per cent of physicians indicate that they themselves will want to retire in the next decade. More SARS, more West Nile and fewer health-care workers to combat them—not a pretty picture.

And we will have choices to make on public funding levels and the role of private and public sectors. The impact will likely be felt most by families as they cope with not only the social and financial assistance that might be required to address eldercare issues, but also the complex feelings that can often overwhelm individuals in terms of comfort and caring for their loved ones.

What we can start with are the polling results done two weeks ago by Ipsos-Reid for this event today and over the last couple of months for our clients, RBC Financial, The Alzheimer Society of Canada and Aventis Pharma, all of which was publicly released.

As of two weeks ago, 73 per cent of adult Canadians told us that they have living parents or in-laws.

Of this group, over half (55 per cent) believe they will have to provide some form of care for their parents or in-laws in the future. This represents 9.6 million adults, or 40 per cent of Canada's adult population who feel this way right now.

What's more, 42 per cent of those with parents or in-laws are actually concerned that they'll have to care for them when they get older. This is evident in every part of the country, more so in Atlantic Canada and in Ontario and among younger Canadians as one-third of Canadian adults with parents or in-laws believe that their parents will need social or financial assistance.

In short, that's 24 per cent of the adult population or almost 5.8 million Canadian adults who believe that, in the future, they will have to step up to the plate and help care for their parents.

The fact is, of course, for some, this might not happen. Those between 18 and 34 years of age have the greatest level of anxiety about the future, but a lot can change over the next many years depending upon the accumulated retirement wealth of that boomer group and what they can buy in terms of their extended care or what is provided through the public health-care system.

In some respects, the future has already begun with 25 per cent of Canadian adults indicating that Alzheimer's disease has already been diagnosed for someone in their family circle. As a backdrop to this, 88 per cent of all Canadians believe that as the population ages, the effects of this disease on the Canadian health-care costs will be dramatic—not to mention their own personal, emotional and social costs within their own families.

We are also starting to see the effects of aging not only in the workplace as older workers begin to retire, but in terms of those who are increasingly dealing with elder-care. A study done by us for Aventis recently of employees with benefit plans (approximating 71 per cent of the Canadian work force) identified that one-third (32 per cent) are responsible for eldercare and 12 per cent are responsible for children under the age of 18 and eldercare responsibilities.

The survey also revealed that the one-third of these workers who care for elderly family members average 23 hours of care-giving per month and 17 per cent (or one in six of these workers) indicate they'll have to take more time off in the next two years for those responsibilities.

The impact becomes clear when 35 per cent of plan members agree that it's becoming harder to balance their work, home and life because of caring for young and old alike, and it's a recognition of the future when over half (53 per cent) of that work force indicates that they would be willing to pay higher premiums for eldercare health coverage.

On the home front, a third of Canadians are worried about where they'll live when they get older. But on the flip side, you'll be delighted to know, almost as many (31 per cent) think they would enjoy living with their children and their family. While this may be an admirable sentiment, recent numbers compiled by us for the Royal Bank's 10th annual housing survey released last month put that hope in today's context—5 per cent of the adult population currently have parents or in-laws living with them, of which one in six made renovations or modifications to their homes, while another 12 per cent of the adult population expects that their parent or parents will live with them as they get older. Roughly 17 per cent of the adult population thinks that the noise they either hear or will hear at the refrigerator late at night will come from their parents, not their adolescent teenagers arriving home late and looking for munchies.

The impact on the housing community is apparent. If the move-in factor comes to fruition, a quarter of this group says they'll have to buy a bigger home, with another quarter renovating their current home. The Royal Bank study showed that when it comes to renovations, ground floor accessibility for wheel-chairs and bathrooms may top the list inside the house, but outside the house may be equally crucial with trying to find the right balance between being in neighbourhoods that are close to friends and relatives as well as health and medical facilities.

But the pressure with respect to these changes shouldn't just be viewed among those who will be compelled to care for parents or in-laws. Almost half of Canadian adults (47 per cent) are concerned that they're going to be a burden to someone when they get older.

Let me close off then with two clear statistics that I think must be considered over the next few years. The first is that only 36 per cent of Canadians have discussed with their parents or in-laws their long-term care plans so that they know what to do if they should need assistance as they age.

I am reminded that a few years ago, the prostate cancer issue was one that very few of us ever talked about; yet, today, it is very much more out in the open with people speaking of survivors and those afflicted by the disease in a way that compared to a decade ago is truly astonishing.

In that light, I believe strongly that what this country needs is to be able to start talking about long-term-care plans within the family setting. There is no question that policy mentors and other health-care professionals have already been engaged in scenario planning and have identified many of the issues for some time. But it seems to me that the place to start is at home and making it "o.k." to discuss these matters among parents and children alike.

Frankly, if I can drive to work every day and hear radio commercials about preplanning my funeral and how to talk about it, there should be equal time given to this station in life before I get there.

We're all sensitive to the subject and our financial and emotional boundaries. I can't imagine sitting down with my dad 20 years ago and saying: "So what do you want to do when you're infirm and how much is in the bank to carry you forward?" But I should have, because 20 years later, my brother and sister-in-law are living the very care scenario that many others are today in looking after my mother under their roof. It sure would have been easier to plan for, even 10 years ago, if we had bridged the information gap that existed then.

The dialogue has to start somewhere and perhaps Bart's book should be required reading for every household in order to at least understand the dimensions of what many in this country will truly face in the future.

It does not have to be a worrisome venture if many Canadians come to grips with the issue and at least do some rudimentary planning. But while the price will be measured in not only personal dollars and the avenues of care in our health-care system to meet this new reality, perhaps the most unwarranted measurement is that today two-thirds (63 per cent) of Canadians say they will feel guilty unless they can adequately provide their parents or in-laws either help or social assistance when the time comes.

Clearly, guilt solves nothing and creates a level of anxiety and false expectations that can be alleviated well in advance if the dialogue begins so the care can be shared and structured on a basis between those who may need help and those who will provide it.

Almost 10 million Canadian adults believe they will have to help care for their parents or in-laws, almost six million may have to provide financial or social assistance, and four million currently are or will experience eldercare in their own home.

What is compelling about these public opinion numbers, is that the effects are already washing up on the shores of people's lives, ranging from homes to workplaces to guilt.

And what is perhaps the largest challenge is not to solely put pressures on our leaders to prepare and respond to these matters, but to begin at home—a national challenge to begin the dialogue between parents, in-laws, and other family members as to what plans, desires and needs should be considered for the future.

And to begin that journey, let us turn to Bart Mindszenthy, author of "Parenting Your Parents" who will provide you with some guidance.

Thank you.

Introduction by Ann Curran

Bart Mindszenthy is a partner of Mindszenthy & Roberts Communications Counsel. His firm has specialized in major change, conflict and crisis communication management since 1990. He is the co-author of the 1988 best selling book, "No Surprises: The Crisis Communications Management System," the first Canadian practical guide to developing and planning organizational crisis communications plans and processes.

As well, Bart co-authored "Leadership@Work: How to be an Effective Team Leader Anywhere, Anytime, with Anyone," with Dr. Harvey Silver, which was 2001's fifth-best selling business book in Canada.

During the past decade, he has counselled clients in high-profile issues and crises in Canada. His firm develops crisis communications plans for organizations in all sectors and conducts training sessions and simulations to test plans and train people. He and his partner, Gail Roberts, are frequent presenters at conferences and corporate retreats.

Bart, with 35 years of experience in public relations, is an accredited member of the Canadian Public Relations Society, an elected member of its College of Fellows and a member of the Counselors Academy of the Public Relations Society of America. He is an Associate Faculty member in the MBA program at Royal Roads University, Victoria, B.C.

Bart has won numerous national awards for his work and leadership in the field of public relations and has been widely published in Canadian and U.S. journals and magazines.

An only child, Bart was inspired to write the book "Parenting your Parents" because of his experiences with his parents and listening to many friends and acquaintances talk about the issues they faced with their own elderly parents.

In writing the book, Bart also drew on his professional expertise, observing that just as organizations manage their crises much better when they are prepared, boomers can best help themselves and their parents by planning, understanding the challenges, and being prepared. Please welcome Bart Mindszenthy.

Bart Mindszenthy

Madam President, distinguished head table guests, members of the Empire Club, ladies and gentlemen… for years I listened to important speakers stand at this podium and express what an honour it was to address the club. I never imagined I would be standing here to share my thoughts with you. But I am, and I am sincerely honoured by the opportunity.

I am still a bit overwhelmed by John Wright's intense tour of the landscape of Canadian's concerns and expectations about eldercare. His data sets off flashing yellow lights of caution and alarming red lights of concern.

He's provided a vivid snapshot of the myriad issues facing all of us boomers who have aging parents.

Our parents. Our links with the past, and our passports to the future. The people who got us from infancy into adulthood, regardless of how well we think they accomplished that. The very ones who, as they age and start to falter, now need us. Need our help and support.

But guess what—no one and no system has taught us or prepared us for parent care.

We learned about childcare; most of us attended prenatal and parenting classes and got both welcomed and unsolicited advice from our families and even friends.

But being a parent to our children was an intimate involvement in the progression of life—watching them expand and extend their universe and skills and minds. Parent care, though, is a process of regression—watching our parents' universe contract and witnessing their physical and mental decay.

So here we are on a journey of discovery. A journey we never planned to take. A journey like no other we've ever experienced.

It's a trip of joy and hurt, of anxiety and personal growth, filled with uncertainty.

It's all about watching how time is taking its toll on our parents. And there isn't a single thing that we can do to stop or even slow down the march of time and its consequences.

We used to need help walking, and now our parents do. They used to take us to the hospital emergency room in the middle of the night, and now we take them. We couldn't construct well-formed thoughts, and now our parents can't. We were once in diapers, and now many of our parents are.

And as we become absorbed by this role reversal, every step of the way we are having to learn new coping and adapting skills.

And it's not easy.

In fact, it can be rather frightening and it is most certainly intimidating.

On this journey, we'll discover many new things about ourselves and all those close to us. In some cases, we will find the kind of support we so much need. And in some cases, we'll be bitterly disappointed by the ambivalence of those from whom we expected sensitivity and caring.

And for this journey, I suggest to you that there are a number of guiding principles that can help us navigate our way through the maze of personal challenges we'll face. Let me share six of those principles with you—principles I have learned from a decade of escalating personal experience and from so many others who have found themselves likewise immersed in parent care.

Let me start with three principles with respect to our parents:

1. Slow everything down. Their sense of time and our sense of time are now running at very different velocities. Move more slowly to accommodate their slowing speed. Speak more slowly to accommodate their sluggish ability to comprehend. Understand that our parents will take twice as long to do something or to think about something or even to express something. They'll sense and internalize our impatience, and they'll react to it with a deep, inner emotion of angst and even anger. So, patience should be our watchword.

2. Treat parents with dignity and respect; their sense of independence is sacred. We can't take them for granted and should never underestimate their need to feel like they are an important and valued part of our busy lives. As long as they are able to make sound and safe decisions, we must respect those decisions. We must not "take over" just because we think they can't do the right things or because we believe we can do things better. Our aging parents want to feel in control and independent, even when they're not. So be very sensitive to their unexpressed frustration that they're now frail and failing. The day they must stop driving will be a turning point in their sense of self-confidence. The move to an assisted living or nursing facility will be another major watershed in their lives. The first fall will signal a defining moment in their decline. And each epic event will demand that we come to terms with their personal fears.

3. Stay close to health-care providers and ask lots of questions. Geriatric medicine is growing and maturing at a rapid pace. Our health system is doing ever more to address eldercare. But in reality, the fact is that unless we advocate on behalf of our parents, they may simply get lost in the system. That's why we should ask lots of questions. Why are we taking this course of action? Why can't we try that? How does this medication interact with that one? How can we get physiotherapy for my mother? How can we get my father into a seniors' social group? Should

we have another opinion on this? Ask, ask and ask. And keep records of what is being done with and for your parents.

And now, three principles for yourself:

1. Plan ahead. My day job is all about crisis and issues management and communications. What we tell clients is that it isn't a question of "if" they'll have crises or issues, but rather, when and how large. In the same sense, it's not a question of if our parents will become frail and ill and eventually die, but when and how. So as difficult as it is to initiate these conversations, I urge you to talk to your parents while they are still mentally sound. Talk to them about their own future expectations and needs and desires, right through to end-of-life decisions. This means putting in place everything from power of attorney to living wills, from knowing how and where they've structured their finances to deciding which sibling will take a lead role in their care. Believe me, please, there are so many things to decide and consider. And these decisions are sounder when the family plans ahead. In the state of emotion that accompanies a crisis very few decisions will be good ones.

2. Find day-to-day balance in your own life. As our parents continue in their inevitable decline, recognize that the pressures on you will increase. We'll have to do more for them while still trying to spend time with our spouse and children. And still doing our job at peak performance. And still enjoying some semblance of a social life. And even finding some "me" time. All to say: we need to strive to balance our lives and the demands on it through the years of escalating parent care. Sure, we need to help and support our parents, but not at the cost of our other important relationships, or our own well-being. So you need to plan how to balance your own life. Some enlightened organizations have support programs in place. For example, our sponsor today, GlaxoSmithKline, is the first Canadian company to launch an extended paid leave for

employees caring for terminally ill family members or for dealing with other critical family situations. And then, consider how you can continue to support your parents without shorting out yourself. My co-author, Dr. Michael Gordon, taught me that if I become ill from the stress of parenting my parents, I won't be good for anything or to anyone.

3. Dump the guilt. From the thousands of people I've spoken to during the past year in church basement meetings, on radio talk shows, and at social gatherings, the hot button that consistently emerges is guilt. Guilt about not doing enough for our parents. I suggest to you that there are two kinds of guilt associated with parent care. There is inflicted guilt. That's the guilt dump we get from our parents. It's when they say things like, "If you really cared about us, you'd be here more often." Inflicted guilt is our parents' way of trying to reel us in to help them face their fears and insecurities and needs. It's their way of trying to exercise their fading reigns of control and continue to connect with us. The other kind of guilt is self-induced. It's when we try to second-guess ourselves. It's when we spend a lot of time wondering what we did or didn't do right, what we should or could have done, and what we ought to do next and why. Let me tell you something. Dump the guilt. If you can look at yourself in a mirror and state with absolute certainty that you're doing the best you can for your parents, then there is no reason to feel guilty. And doing the best will be a different and very personal definition for each one of us.

So, ladies and gentlemen, there is nothing simple or easy about this journey of discovery.

Our resilience will be tested time and again. There will be drama and trauma we can't even imagine.

That's all the more reason to plan ahead. It's not easy, but it is essential.

However, that's just one piece in the complex jigsaw puzzle of eldercare, and self care.

The challenges we face are very personal. Yet we share similar experiences that transcend our families, and span provincial boundaries and language and culture and politics.

John's polling numbers speak for themselves. Now we boomers must speak out on the issue. We must unify our voices in passion and persuasion.

I echo John's call for dialogue—dialogue that starts in our homes and reaches across the country.

I have been parenting my parents for a decade. I've co-authored a book about it. But I'm just one voice. And I'd like to see millions more voices join in a national chorus of concern about the two distinct aspects of eldercare. One is about the safety, dignity, comfort and quality of care every single aging Canadian deserves. The other is about the understanding and support we, who are now parenting our parents, so very much need.

I believe the time has come to create a national council of government, private sector and not-for-profit organizations—a council charged with exploring and establishing responsible policies and realistic procedures that deliver the support desperately needed by the elderly and increasingly needed by the adult children who are now so involved in their care.

Because while parent care starts at home, its consequences impact every government and every company and, inevitably, every one of us.

Thank you for your attention.

The appreciation of the meeting was expressed by William G. Whittaker, QC, Partner, Lette Whittaker and 3rd Vice-President, The Empire Club of Canada.

May 13, 2003

Viktor Yushchenko

Former Prime Minister of Ukraine

WHAT'S HAPPENING IN UKRAINE

Chairman: **John C. Koopman**
1st Vice-President and President-Elect,
The Empire Club of Canada

Head Table Guests

Gareth S. Seltzer, President, TWS Private Management and Past President, The Empire Club of Canada; Olga Radchenko, Grade 12 Student, North Toronto Collegiate Institute; Peter M. Aitken, Partner-Director, Brawley-Cathers; Frank Button, Vice-President and General Manager, Orenda Aerospace Corporation; The Hon. John Yaremko, QC, Former Minister for the Province of Ontario and First Canadian of Ukrainian Decent to be elected in 1951 to a Parliament in Eastern Canada; His Eminence Archbishop Yurij, Bishop of Toronto and the Eastern Diocese of the Ukrainian Orthodox Church of Canada; The Reverend Dr. John S. Niles, Rector, Victoria Park United Church and Director, The Empire Club of Canada; Michael F. Kacaba, Partner, Kacaba and Associates and Proprietor, Kacaba Vineyards; James C. Temerty, Chairman and CEO, Northland Power Inc; Ruslana Wrzesnewsky, President, "Help Us to Help the Children"; and Ken Villazor, National Manager, Government Relations and External Affairs, Biovail Pharmaceuticals Canada.

Introduction by John Koopman

Your Eminence, Your Excellency, Reverend Sir, past presidents, members and guests of The Empire Club of Canada, Ukraine's national anthem declares "Ukraine is not yet dead." You might find it odd that an independent sovereign nation states in its national song that it is not yet dead.

To understand that anthem you need to understand Ukrainian history.

Ukraine has known the rumble of hooves since almost the dawn of recorded time. The Old Testament refers to nomadic Scythians who dominated the steppes north of the Black Sea 700 years before Christ. Just as random chance has led geography to bless Canada (except perhaps by placing us too close to the North Pole) it has cursed Ukraine. Ukraine has the misfortune of being a rich fertile plain without natural borders stuck at the cross-roads of empires. Tamerlane and the Golden Horde, the Polish-Lithuanian Empire, the Austro-Hungarian Empire and the Russian Empire all left their scars on the Ukrainian soul.

And yet it was the last century that saw Ukraine suffer the most indescribable terrors. In a bid to force the collectivization of Ukrainian farms in 1932–33, Stalin engineered an artificial famine in Ukraine, then known as the breadbasket of Europe, that killed, mostly by starvation, some seven million Ukrainians. In a bid to destroy Ukrainian aspirations for independence, the Soviet purges of that decade alternately murdered or sent to Soviet gulags hundreds of thousands of Ukrainian intellectuals, writers and leaders from all walks of life. Attempting to crush the Ukrainian national identity the Soviets demolished over 250 churches, including four 12th-century cathedrals. Yet the flame of Ukrainian nationalism did not die.

Unbelievably greater horrors were yet to come. WW2 brought further devastation and depending upon whose commentary I read, between eight million to 10 million Ukranians perished in the fighting between the Red Army and Nazi German forces. In only two days in late September 1941, at a ravine known locally as Babi Yar, 33,771 Ukranian Jews were murdered in cold blood by Nazi Einsatzgruppen.

It is estimated that in the first 50 years of the last century over half the male population and one-quarter of the female population of Ukraine died of war, famine or purges. And yet the flame of Ukrainian nationalism did not die.

The past decade has been the first period of sustained Ukrainian independence in three centuries. Although happily not of the scale of the past century, as we read the popular press we see that

Ukraine continues to face its share of challenges today. We should not however forget where we were 10 years after Magna Carta. Rome was not built in a day and neither will Ukraine.

Mr. Yushchenko is a member of the Ukrainian Parliament and a former Prime Minister of Ukraine. His party, Our Ukraine, has the largest block of seats in the Ukrainian Parliament and he is considered a front-runner in next year's presidential race. He is an economist by training and a former Governor of the Central Bank of Ukraine. Western analysts widely credit Mr. Yushchenko, during his term as Prime Minister with curbing inflation and bringing some discipline to the Ukrainian economy.

No, Ukraine is not dead and with leaders and reformers like Mr. Yushchenko, the Ukraine will one day blossom and like Canada, may one day change the words of its national anthem.

Please join me in welcoming Mr.Viktor Yushchenko to the podium of The Empire Club of Canada.

Viktor Yushchenko

Your Eminence, ladies and gentlemen, friends:

It is a great honour for me and a great pleasure for me today to be in front of this great Canadian audience. I'm happy to see in this audience a lot of people who link their life to Ukraine and who are interested in the events happening in Ukraine.

The key question that worries everybody present here today is the issue of what's happening in Ukraine. What are its ills and what cure needs to be found in order to take Ukraine to a stable democratic path of development in economic and social matters?

I sense that in western society there is a clear political portrait of Ukraine, where the leaders are corrupt, where a shadow economy is flourishing and where transparent and honest competition is absent. A country where freedom of speech is absent. A country where political censorship exists and the laws and constitutions are totally ignored. This picture that has been formed over the last years by the average European and I'm convinced by the average Canadian is true to reality.

Each of these characteristics is true and I would like to comment in detail on these things.

The Ukrainian authority today has a 6-per-cent level of trust from the population, the highest negative rating in the last 12 years. Two-thirds of society doesn't trust the authorities. The results of the surveys were pessimistic and said that 56 per cent of Ukrainians today believe that democratic elections in Ukraine are not possible. Fifty-two per cent of Ukrainians believe that Ukraine is not an independent country. That's the portrait of the Ukrainian authorities.

The main conflict, the political conflict, is not between the Opposition and the powers that be, but between those powers and the citizens. And that's an extremely important thing for subsequent conclusions.

The second thing concerns the economy. About 40 per cent of GDP is produced by the underground or shadow side of it. When I became the prime minister of the government we had to cancel about 256 resolutions of the previous governments that were giving preferences and perks, especially tax perks, or customs taxes and preferential status to some companies. Ukraine was dealing in barter and mutual accounting in kind. People who worked in Ukraine during those days recall those times with horror. Today a lot of things have been done in order to create modern economic relations but the organization of a healthy and stable national economy still remains problematic.

The mass media is an extremely important component in the life of the society. It is concentrated in the hands of three or four families. For an average viewer or ordinary reader, it is hard to get full, objective and timely information about what's happening in Ukraine and what's happening with regard to its partners and its neighbours. There is political censorship happening in Ukraine and every week the political administration in Ukraine issues a black list. It indicates to the mass media what people to interview and what people not to interview and what topics to touch and what not to touch.

So that is what today's authorities have done. You can be persecuted for your political views, political convictions, because very often it's not the force of the law that is in power, but the law of force that is in power. We felt it through the political persecutions that were executed through the prosecutors' office and the tax inspectors etc.

The domestic GDP today is $600 per person. This indicator in Russia is four times as high. This indicator is $4,500 in Poland. In Bulgaria it is $1,600. According to the official statistics of Ukraine, there are 30 million poor Ukrainians. Unemployment taking into account the latent and seasonal unemployment reaches more than 20 per cent. Over the last 10 years, the living standards of people have decreased by almost two-thirds. And as a result of all this Ukraine is now in the second-hundredth of the countries of the world human development index.

I had an opportunity, and a great honour, in 1999 to head the Ukrainian government. We presented a program for Ukrainian society and for the Ukrainian Parliament that was titled "Reforms for the sake of prosperity." The program was aimed to provide economic stability and development, financial stabilization and to increase the living standards of people. This successful economic program was not only presented but also implemented. And I can give you a couple of numbers.

In 2000 for the first time we managed to grow the GDP by 6 per cent. The industrial output grew by 17 per cent. The agricultural output grew by 4 per cent. We brought the first deficit-free budget in Ukraine and provided for the stability of money and currency and prices. We covered 17 per cent of the external debt of Ukraine without borrowing a single cent either domestically or externally. But the most important thing was that we showed to the people that market and transparent honest policies can be effective and efficient from the point of view of growth of living standards.

We repaid all pension arrears that had been accumulated over the previous four years. That's how we finished the first quarter of 2001.

The government started work on the taxation budget and customs reforms. On April 26 my government was forced into resignation according to the will of the president and according to the will of some of the political forces—the Oligards and the Communists. Perhaps many are surprised by this alliance. Where is the commonality of goals with these forces? The commonality is in the fact that the Oligards disliked very much the introduction of a transparent and open economy, the elimination of barter deals and mutual accounting, the elimination of the environment that provided for their colossal profits through the shadow turnover. Undoubtedly the Oligards could not put up with that. The Communists understood that the policies of economic development were working. The arrears started to go down, the salaries started to go up, and as you know that contradicts the sympathies that people may have for the idea of yesterday, the idea of the Communist past. So the worse the well-being of people, the more they are inclined to adhere to the ideas of Communism. The faster the market economy turns around, the higher the dynamics of growth, the better the social programs are developed and the higher the democratic support for democratic forces. That was clear.

During the elections about 25 per cent of the Ukrainian population voted for our block—Our Ukraine. That kind of trust was specifically brought about by the activities of my friends when they were in the ministeries of vice-premiers and all the structures that were part of the Ukrainian government.

I'm convinced that the most important thing that is dragging Ukraine back into the past is that over these past 12 years an effective political system hasn't been created in Ukraine. Over the 12 years of Ukrainian independence, the 12 years that have been dedicated to the struggle for democracy, not a single time has a democratic majority been present in Parliament in Ukraine.

I'm convinced that the powers that be did all they could to prevent the consolidation of democratic political forces in the Ukrainian Parliament because a Parliament with a parliamentary majority is capable of assuming political control over the events in Ukraine. But fragmented political forces cannot interfere with Oligarchic enrichment.

Today Ukraine, as never before, is facing a very difficult choice. Either democracy will win this country or the Oligarchic power system will win. Understanding that choice a year and a half ago the democratic forces of Ukraine formed an election block called Our Ukraine. This block included 10 political forces of my colleagues and my friends. These are various political forces because the political theatre of Ukraine has 125 parties. Today this political force, this block, enjoys the most trust of the Ukrainian population and the most support.

I'm convinced today that the main problem that Ukraine faces is its powers, its authorities. It is problem number one. God gave Ukraine all the rest. It is important to understand the ideology of these authorities. Why has it not changed over the last 10 years? Perhaps it is so strong.

No, naturally not; 11.8 percent of support means it is not strong. It doesn't enjoy the trust. Why has it not changed over the last 10 years? It is unchanged because over these 10 years it has very skillfully manipulated the fragmentation of opposing political forces. It's done all it could to prevent the consolidation of the democratic forces.

Today Ukraine faces the choice and it's in our interest to organize a round table of Ukraine and to invite forces to this round table; the forces that want to change the political system and to change the powers that be. We have to extend a hand to each other and understand finally that the victory over the powers that be is a problem for the democratic forces of Ukraine.

The second component is not only to win the political elections in October of 2004 but we will have to change the political system. Let us introduce to the acting Ukrainian legislation the changes that in a serious way would modernize the current political system of Ukraine. The power is given by a mandate from the voters. It is an electorate that elects a member of Parliament. It is an electorate that forms a political majority in Parliament. The political majority forms the Ukrainian government; the political majority of Parliament and the government forms the programs of actions and assumes political and economic responsibility.

I'm convinced that Ukraine is ready to elect the political majority that can form the Ukrainian government. Ukraine also desperately needs a law on the impeachment of the president, regardless of what the president's name is.

One of the key political laws would be a law on proportional system of elections because the existing majority system of elections in Ukraine is currently one of the most criminal election models. Some candidates don't even have to show up in their constituencies to be elected. All they have to do is transfer some money into the constituencies and they'll get the voters back in return. I'm convinced that that kind of politics is robbing Ukraine and does not allow for the modernization of society.

Today the majority of the population in Ukraine places a lot of hope with the democratic opposition forces. The arrival of democratic forces at the helm I think may be a mobilizing factor for demoralized Ukrainian society. I think that the future of Ukraine today is in the hands of the Ukrainian population. I'm convinced that our people will not make a mistake again. Democracy will win in Ukraine and freedom will win in Ukraine.

Thank you for your attention.

The appreciation of the meeting was expressed by The Reverend Dr. John S. Niles, Rector, Victoria Park United Church and Director, The Empire Club of Canada.

Jeannie Butler, President, Positive Changes and Chair, Canada's National Ballet School, Heather Ferguson, Director, Development and Alumni Relations, Faculty of Nursing, University of Toronto and Director, The Empire Club of Canada, Mavis Staines, Artistic Director, Canada's National Ballet School and Ann Curran, Director, Corporate Development International and President, The Empire Club of Canada.

May 15, 2003

Mavis Staines

Artistic Director, Canada's National Ballet School

BREAKING NEW GROUND

Chairman: **Ann Curran**
President, The Empire Club of Canada

Head Table Guests

Anne Fotheringham, Owner, Fotheringham Fine Art and Director, The Empire Club of Canada; Ashley La Fond, Grade 11 Student, North Toronto Collegiate Institute; The Rev. Prue Chambers, St. Nicholas Anglican Church, Birchcliffe; Jennifer S. Fournier, Alumni, Canada's National Ballet School and Resident Guest Artist, National Ballet School of Canada; Jeannie Butler, President, Positive Changes and Chair, National Ballet School; Robert Sirman, Administrative Director, Canada's National Ballet School; Bernard Ostry, OC, Vice-Chair, Board of Directors, Canada's National Ballet School and Cabinet Member, Project Grand Jeté Capital Campaign Cabinet; Heather Ferguson, Director, Development and Alumni Relations, Faculty of Nursing, University of Toronto and Director, The Empire Club of Canada; Catherine A. Delaney, Former Board Chair, Canada's National Ballet School and President, C.A. Delaney Capital Management Ltd.; Marie C. Rounding, Chair, Board of Directors, Canada's National Ballet School; and Allan P. O'Dette, Director, External Relations, GlaxoSmithKline.

Introduction by Ann Curran

I now have the pleasure of formally introducing our guest speaker.

Mavis Staines, born in Quebec's Eastern Townships and raised in Vancouver, received most of her training at Canada's National Ballet School, where she has been Artistic Director since 1989.

Upon graduation from NBS, Staines studied in Paris and London for six months before joining the National Ballet of Canada.

After five years, she joined the Dutch National Ballet and danced for three years under the direction of Rudi van Dantzig until an injury cut short her performance career.

On her return to Canada, Staines reinvested her training and experience back into NBS as a teacher. She enrolled in the school's Teacher Training Program, joined the staff as a teacher in 1982 and became Associate Artistic Director under Betty Oliphant in 1984. Five years later, on Oliphant's retirement, Staines became Artistic Director.

Within and beyond the National Ballet School, Staines is now devoted to improving ballet training to preserve the best of traditional schooling while adding to the curriculum elements young dancers need today to advance both their careers and their lives.

She has been responsible for bringing many renowned dance specialists to NBS, including Hamburg Ballet Artistic Director John Neumeier, the legendary Irina Trofimova of St. Petersburg's Vaganova Academy (school of the Kirov) and American neuromuscular specialist Irene Dowd.

Staines served as juror for the Prix de Lausanne, Switzerland, the world's most prestigious competition for young dancers, in 1993, 1994, and 1995 and headed the jury as Chairman in 1998 and 1999—the first person in the Prix's 25-year history to head the jury two years in a row.

In 1997, Staines was a presenter at the Prix de Lausanne Symposium and in 1998 was a workshop presenter at the IOTPD Conference in The Hague, Holland.

Staines' Lausanne presentation was published by Dance Magazine in June 1997 under the title "Going Beyond Classical Tradition." In February 2001, Staines was named Artistic President Designate of the Prix, only the third since the competition's founding.

Over the years, Staines has served in various capacities with a number of dance-related organizations, including: DANCE/USA, Philadelphia, 1994; Dance Advisory Committee, The Canada Council for the Arts; The Dance Community of Educators, Toronto; and Kala Nidhi Fine Arts of Canada, Toronto. In 1998 Staines won the Toronto Arts Award for the Performing Arts.

A famous philosopher once said an impassioned sense of purpose is the key to realizing the quality of life. Alumni and students of Canada's National Ballet School irrefutably prove this theory, yet too often it is assumed that classical ballet dancers must be neurotic and anorexic to fully realize their talent.

In her address to us today, Ms. Staines will speak to the ongoing evolution of the school's overall training practices and educational philosophy and why these have resulted in NBS graduates being leaders within the international dance community and the school's training theories adopted worldwide.

Mavis Staines

American psychologist Mihalyi Csikszentmihalyi cites an impassioned sense of purpose as key to realizing quality of life. Alumni and present students of Canada's National Ballet School irrefutably prove his theory. So, too, do all of you seated here today, although our individual sense of purpose may vary widely.

A strong sense of artistic purpose is relatively rare in Canada, and its value—along with the value of artists committed to pursuing its ends—is frequently marginalized. Yet never has the role of art and artists been more important. One just has to look at the number of self-help books proposing strategies for achieving spiritual awareness and inner peace to recognize the limitations of purely material goals.

I hope my comments today will demonstrate how alumni of Canada's National Ballet School—far from being marginal players—are key figures in the community, and NBS an invaluable resource to the entire country.

While Canada's National Ballet School is highly regarded on the international dance front, there are still many Canadians unaware of our existence. Therefore, I will preface my remarks with some historical background.

Celia Franca, the remarkable dance artist invited from England in 1951 to establish Canada's first fully professional national ballet company—The National Ballet of Canada—was acutely aware that Canada needed its own professional ballet school. Up to then, the most promising dance students were forced to leave the country to complete their training generally going to New York City, Russia, or England's Royal Ballet School. This geographic uprooting often led to their abandoning high school before graduation—an especially troublesome outcome given that most gifted ballet dancers are extremely bright, and a career as a professional ballet dancer never lasts to the age of 65.

Celia knew this well in 1951, but it was not until eight years later—1959—that she and Betty Oliphant—an exceptional teacher who was ballet mistress at the National Ballet of Canada—established a school.

From its inception, Canada's National Ballet School included an academic program that met provincial standards and was operated on site to ensure that Canadian children could fully explore their talent without compromising their academic education, a residence to respond to Canada's geographic realities and, of course, a rigorous dance program.

To this day, NBS remains the only professional ballet school in Canada delivering all these elements.

Over its first decade, NBS subtly but significantly shifted its orientation from being the school of the National Ballet of Canada, to being the country's national school, freeing graduates to dance in any company suited to their particular interests and talents. Even today this is an extremely rare model among professional ballet schools.

One of the strengths of NBS is its policy to accept students into the school based entirely on talent. Each year my colleagues and I visit over 20 Canadian cities coast to coast, screening approximately 1,000 young people ranging in age from 10 to 18. While auditions are not scheduled outside Canada, video applications stream in from around the world. From this initial 1,000, around 150 are invited to our four-week Summer School, which serves as the final and much more rigorous phase of our entry evaluation. After a month of intensive study, around

50 of these students are identified as flourishing both emotionally and physically, and are offered a place in the Professional Ballet/Academic program.

Alumni of this program are now dancing in over 35 dance companies around the world, with many having achieved soloist and principal status. One of our standing jokes is that when travelling to other dance centres, no matter where they are located on the globe, it is impossible to avoid meeting NBS alumni.

Since a ballet dancer's career normally draws to a close when they are in their late 30s or early 40s, the school's 44-year history has given us an opportunity to also track the success of alumni in their "post-performance" careers, and their achievements are equally impressive. Career choices range from doctors, lawyers, artistic directors, choreographers, film stars, festival directors, visual artists, and research scientists.

I know all of you have met gifted children. But how many of you have met a gifted child with a sense of their calling? For many adults it is hugely unsettling to meet a young person who knows with absolute certainty that nothing matters more than fully expressing themselves through dance. It certainly is hugely unsettling for the majority of parents I meet. Unlike many other nationalities, Canadian parents rarely aspire to their child's becoming an artist. Their concern about potentially low salaries is often partnered with a holdover from past stereotypes, especially those that tar individuals pursuing stage careers with questionable morals.

Even today, journalists will ask me if all ballet dancers are, by nature, hysterical, neurotic, and the women inevitably anorexic. Nothing could be further from the truth. Gifted ballet students are focused, intent, impassioned, and multi-talented. While they do not want to be average at anything they attempt, the quality of their day is always measured by what they feel they have achieved in the studio, or on stage. Meanwhile, many parents continue to pray their multi-talented child will "come to their senses" and choose a respectable career—a factor which makes the quality of our academic program the top priority for most parents.

Another big hurdle for parents is the need for those students beyond commuting distance to board away from home—and in Toronto no less, the city most Canadians love to hate. Then, of course, there is the issue of money. Even with carefully considered fees that reflect high levels of government and private-sector subsidy, a targeted means test shows that over 50 per cent of families require financial assistance from the school.

Yet in spite of all of these factors, plus pressure from relatives and neighbours horrified by the unusual, the majority of parents supports their child's impassioned dream, and accepts the invitation for their child to attend NBS.

Working with this gifted population is truly a privilege. Ironically, however, the students' willingness to follow any directive they believe will guarantee their future success as professional dancers makes them unusually vulnerable, and requires a very specialized approach from staff.

During my own years as an NBS student and then performer, I never imagined having the opportunity to implement systemic changes within the school's artistic programs. But during those years I certainly reflected on how practices within the profession could be improved.

Since starting in this job, my priority as NBS Artistic Director has been to ensure that the best of the profession's traditions are cherished while rejecting those practices I believe limited and even destructive. Systemic changes have been implemented which touch on the physical, emotional, and intellectual aspects of the students' lives, and are designed to channel the students' potential as effectively and beneficially as possible.

To begin with, our training methodology interweaves traditional classical ballet with ongoing research from the field of dance medicine, thanks particularly to New York-based neuromuscular specialist, Irene Dowd. Dowd describes her international colleagues as incredulous that a classical ballet academy embraces new scientific information as a powerful, liberating means of improving pedagogical skills and better assisting individual students.

Our physiotherapy department and conditioning programs also are designed to improve performance. Injury is seen as a signal that students' personal strategies for realizing a particular movement—as well as teachers' explanations—should be reviewed.

The long list of consulting psychiatrists working with NBS is not an indication "that all NBS students are crazy," as I was once queried by a journalist, but rather how much NBS honours the students' talents, and invests in increasing their self-awareness to make their perfectionism a blessing and not a curse. As recognized by Olympic coaches decades ago, there are specific mental skills that allow performance pressure to be stimulating, rather than overwhelming.

It is also within this program that body image issues are addressed. Thanks to specific recommendations from all the consultants, and in particular, eating-disorder specialist Dr. Niva Piran, body-image distortion and eating problems at NBS are less prevalent than in society as a whole. Perhaps because all NBS parents sign a contract stating that should their child start to display the early stages of these problems, he or she can only stay at NBS if the family plays an active role in the child's recovery.

Within all areas of the students' education, it is of particular importance to me that they become skilled, thoughtful communicators, and develop a clear sense of the responsibilities and privileges inherent in being gifted. And while their primary focus will be on fully exploring their potential as world-class professional dancers, they will also develop a confident sense that after this career, they are well-positioned to make the transition into further education and a wide variety of alternate professions.

In the early stages of my tenure as Artistic Director, my ideas were considered highly suspect. Colleagues around the world feared I was promoting mediocrity, and artistic directors of companies could only imagine that dancers who were skilled communicators would undermine organizational morale.

Now, 14 years into this process, I am thrilled that NBS serves as a role model within the international dance community. An apt comparison might be that of a teaching hospital. Teachers, physiotherapists, and psychologists from around the world regularly visit NBS, and, in turn, NBS faculty are invited to other organizations as artistic consultants.

Equally satisfying were comments from the 14 artistic directors of the world's largest ballet companies attending a dance summit hosted last May by NBOC's artistic director, James Kudelka—also an NBS graduate. These directors were impressed by both the beauty of the students' work on stage, and their wonderfully respectful means of asking astute questions after thoughtfully considering feedback.

My first-hand experience with the benefits of these systemic changes has involved me in a variety of national and international conferences, competitions, and festivals. Particularly satisfying has been my work with the Prix de Lausanne, a European-based international dance competition held annually for 15- to 17-year-olds. Considerable debate took place before I could convince my colleagues at the Prix to develop and implement a health policy, supported by the conviction that ignoring the plight of excessively lean candidates was actually a form of colluding with eating disorders. My subsequent appointment to the voluntary position of artistic president of the Prix de Lausanne board means I can continue these efforts in the international arena, and keep in close touch with activities and attitudes around the world.

To this point, I have only referred specifically to the school's Professional Ballet/Academic Program. Nevertheless, the systemic changes I have mentioned underlie virtually all NBS programs, including: the Junior Associates Program which provides after-school and Saturday classes for Toronto area 6- to 11-year-olds; a three-year Teacher Training Program which partners with dance departments at Simon Fraser University and York University; evening and Saturday Adult Classes; a Teachers' Professional Development Program; an annual week-long international teachers' seminar; and our outreach activities—workshops for teachers and musicians and open classes for local children, realized in the 20-plus Canadian cities we visit annually.

I have been able to focus intensively on the artistic needs and NBS's evolution, thanks to the school's adoption of a co-directorship management model. Rather than having a single CEO, the National Ballet School has two—one responsible for programs, and the other for corporate well-being—with both of us reporting directly to the Board. This model is common in the Canadian cultural sector but often controversial—and, to be fair, there are many instances where it has failed. At NBS, it has proven to be a great strength, particularly because of the special relationship I enjoy with the school's Administrative Director, Robert Sirman.

For every advance I have made on the training side, Bob has broken new ground on the corporate side. After years of deficits, the school has operated in a surplus position for nine consecutive years. A parallel foundation has been created to hold endowed funds to support school programs in perpetuity. And NBS has built up what the Toronto Arts Council has identified as the largest working capital reserve of any arts organization in the city.

Because of this, my colleagues and I have had the luxury to think truly outside the box, and are engaged in our biggest groundbreaking yet—the creation of dance training facilities in Toronto to rival those anywhere else in the world.

Anyone familiar with NBS will know of our laughably inadequate physical plant. We put on a good public face with the wonderful Betty Oliphant Theatre on Jarvis Street, but enter our main facilities at 105 Maitland Street and you will see why the last evaluator, sent by the Department of Canadian Heritage called them "Dickensian." While our programs are highly admired, the promise of new facilities is now key to parents' allowing their children to attend NBS, and to sustaining our international reputation.

But how do you go directly from Dickensian to world-class?

Slowly—we have been working on upgrading our facilities for 10 years now.

Carefully—we have undertaken five feasibility studies, three with government funding.

Communally—we have formed partnerships with all levels of government, a private developer, and a broad range of individual and corporate interests.

And confidently—we branded the project Grand Jeté (a dance term for big leap) to capture the scale of our vision, and initiated the second-largest private-sector fundraising campaign ever seen in the performing arts in Canada. The campaign is headed by Wallace and Margaret McCain, and is second only in size within the performing arts sector to the Canadian Opera Company's campaign for a new Opera House.

Whatever you thought about the National Ballet School, please think again. We are breaking new ground on all fronts, and to give you a glimpse of what this means, I would like to conclude by screening a short video on our latest initiative. Technology willing, may I direct your attention to the video monitor(s).

(Four-and-a-half minute video, followed by credits.)

As you can see, breaking new ground takes place on many dimensions at NBS. I am delighted that I have been able to share some of these dimensions, as well as my passion for this profession and my unwavering belief in the significance of Canada's National Ballet School to our country.

The appreciation of the meeting was expressed by Heather Ferguson, Director, Development and Alumni Relations, Faculty of Nursing, University of Toronto and Director, The Empire Club of Canada.

Robert J. Dechert, Partner, Gowling LaFleur & Henderson LLP and Past President, The Empire Club of Canada, Ann Curran, Director, Corporate Development International and President, The Empire Club of Canada and The Hon. Senator James F. Kelleher, PC, Senate of Canada.

May 22, 2003

Michael L. Eskew

Chairman and CEO, UPS

SYNCHRONIZING THE WORLD OF COMMERCE

Chairman: **Ann Curran**
President, The Empire Club of Canada

Head Table Guests

The Rev. Dr. John S. Niles, Rector, Victoria Park United Church and Director, The Empire Club of Canada; Caralyn Quon, Grade 12 Student, North Toronto Collegiate Institute; The Rev. Bill Middleton, Armour Heights Presbyterian Church; Edward Greenspon, Editor-in-Chief, The Globe and Mail; Alan Gershenhorn, President, UPS Canada; Verity Craig, Associate, Carmichael Birrell & Co. and Director, The Empire Club of Canada; David Abney, President, UPS International; and Karen E. Maidment, Executive Vice-President and CFO, BMO Financial Group.

Introduction by Ann Curran

On the surface The Empire Club of Canada shares many similarities with UPS. Both are old, established and respected organizations. The Empire Club was founded in 1903 while UPS was founded in 1907.

Both share similar values and believe that integrity and excellence are at the heart of what they do and that tending to their customer or membership needs is central to their success.

Both are in the delivery business. The Empire Club delivers speeches and ideas across Canada and internationally through its annual yearbook and Web site. UPS is the world's largest package-delivery company and global leader in supply-chain services.

However, ladies and gentlemen that is about where the similarities end. You see, when you factor in size, market penetration and speed, we're not the only ones that can't compete. UPS out-performs everyone!

Not only that, where I am the 100th chairman of this organization, Mike Eskew is only the ninth in UPS's 96-year history.

Under Mike Eskew's direction, UPS is expanding its capabilities into new lines of business that complement the company's global package-delivery operations.

UPS is developing increasingly sophisticated solutions for its customers by synchronizing the movement of goods, information and funds. These expanded capabilities include multi-modal transportation services, sophisticated technologies, international trade management, supply-chain consulting and financial services.

A native of Indiana, Eskew graduated from Purdue University with a degree in industrial engineering. He also completed the Advanced Management Program at the Wharton School of Business.

Eskew began his UPS career in 1972 as an Industrial Engineering Manager in Indiana. His advancement continued in various positions of increasing responsibility including time with UPS's operations in Germany and with UPS Airlines.

In 1994, Eskew was named Corporate Vice-President for Industrial Engineering. Two years later he became Group Vice-President for Engineering. Eskew has served as a member of the UPS Board of Directors since 1998.

In 1999, he was named Executive Vice-President and a year later was given the additional title of Vice-Chairman. Eskew held this position prior to assuming his current role on January 1, 2002.

In addition to his corporate responsibilities, Eskew is a Trustee of The UPS Foundation and The Annie E. Casey Foundation, which is the country's largest foundation dedicated to disadvantaged youth. In 2003, Eskew was appointed to the President's Export Council. He also serves on the Board of Directors of the 3M Corporation and is a member of the Business Roundtable.

In his address Mr. Eskew will discuss "Synchronizing the World of Commerce."

The challenges facing world commerce today seem daunting: geopolitical concerns; security issues; a stagnant world economy and rising anti-globalization sentiment.

Whether you're a multinational company that's been involved in international trade for decades, or a start-up that's venturing into the global arena for the first time, these are not easy times to be expanding your business, reaching new customers, or introducing new product lines globally.

However, this might be the right time to explore and invest in strategies, processes and technologies that allow for more seamless flows of goods, information and funds across borders.

Mr. Eskew will discuss how these investments toward frictionless international business are creating a new industry space known as synchronized commerce—a $3-trillion market focused on helping businesses get the right products, to the right places, in the right time, and in the right physical and financial conditions.

He will explain why synchronized commerce promises to be one of the most important industry spaces in the coming years and how it will impact Canadian businesses.

Michael Eskew

Thank you and good afternoon, everyone. It's nice to see such a strong turnout today. Your warm hospitality is much appreciated.

It's a real honour to be at this prestigious old club, which I understand pre-dates UPS by three years. The two of us grew up together in the 20th century and are still viable, still fresh, almost a century later.

It's also great to be in your vibrant international city at such an important time not only for U.S.-Canadian relations but for multi-national relations as well. Toronto and Canada in general are natural backdrops for any discussion on global economies and global societies.

In fact, one of my favourite quotes on globalization comes from the Canadian publisher, Campbell Hughes. I'm sure many of you have heard Mr. Hughes's description of your fellow countrymen. He said: "A Canadian is someone who drinks Brazilian coffee from an English teacup and munches on French pastry while sitting on his Danish furniture having just come home from an Italian movie in his German car."

Now, I must admit I grew up in a small river town in Southern Indiana and we didn't have quite the same world view. Pizza and French fries were considered ethnic fare in my hometown. A Frankie Avalon and Annette Funicello double feature at the drive-in would have qualified as a bonafide Italian film festival.

But in all seriousness, I certainly do understand and appreciate the enormous linkages between our two countries, cultures and economies.

I actually got my first taste of international business experience in 1976 in Germany just a year after our company started doing business in Canada.

We looked at what was going on with UPS in Canada at the time and told ourselves not to replicate that model in Europe!

As some of you may know, we had a bit of a rocky start up here. Our first office was in the basement of a hotel right here in downtown Toronto and we had one delivery vehicle dedicated to this entire city, if you can believe that.

Our "feeder-trucks" that carried packages from one Canadian city to another were actually unregulated checker cabs with their backseats ripped out—Chevy Impalas with roof racks and U-Hauls.

It was difficult going for a while but we managed and I'm proud to say we've grown tremendously here over the years. We now employ some 6,500 people who work in more than 54 facilities from coast to coast.

At the same time, our business around the world has grown substantially. We now operate in over 200 countries and on any given day deliver about 2 per cent of the world's GDP.

Yes, we are a much different company today than we were back in 1976. And certainly, the world of commerce is much different today than it was then.

To give you just one reference point, in 1970 foreign exchange transactions totalled about $10 billion a day.

Today, $10-billion worth of foreign exchange transactions occur every second.

But as dramatic as those changes have been over the last three decades, I think they'll pale in comparison to what's coming down the pike in just the next few years.

I believe we're truly on the precipice of a new age of commerce and that's really what I want to address this afternoon. With a new age comes new rules, new models, new ways of looking at things, new challenges and rich new opportunities. We'll discuss some of these ideas today and talk about what they could mean for our businesses, our people, our customers and our communities.

But first, let me back up for a moment and tell you about something that happened almost two months ago to this day.

Back on March 25, we at UPS did something we hadn't done in over 41 years. We changed our logo. If you're a major league baseball team, that might be a yearly ritual but at UPS we've changed our brand identity only two other times in our 96-year history. So this was a big, big deal.

The brand change goes beyond cosmetics. This is about much more than a new logo design or a new coat of paint. This is a reflection of a company with new capabilities—a company with a new outlook on where the future of commerce is headed and a vision to help our customers navigate and thrive in this new age.

Perhaps you saw our first TV commercial featuring this new look and attitude. For those of you who might have missed it, I brought along a copy.

Let's take a quick look.

(A 60-second commercial is shown.)

Part of what you saw in that spot are goods, information and funds coming together in a synchronized fashion. Coming together to expedite secure, efficient and sustainable trade.

We believe the confluence of these three essential flows of commerce is being driven by those two giant megatrends affecting every business and economy today—globalization and consumer-pull technologies. Technologies that empower customers like never before.

And we feel so strongly about the power of synchronization that we've aligned our company behind an ambitious mission—a mission of enabling commerce by smoothing the bumps in the road that restrict the free flow of goods, information and funds, whether those trading partners are located across the street or across the world.

We believe this new age of commerce is also creating an entirely new industry. With apologies to the late great astronomer, Carl Sagan, we think we're at the Big-Bang stage of a new industry space that will help ease and expedite the flow of commerce. A business space charged with synchronizing global commerce.

A Big Bang brought on not by stars aligning, gases swirling or atmospheres colliding, but by complementary technologies, infrastructures, business standards, managerial and financial practices and shared beliefs in the liberating powers of free, fair and unfettered world trade.

In a nutshell, synchronizing commerce is about managing and co-ordinating the various flows of goods, information and funds among supply-chain partners to better balance and optimize demand and supply cycles. All on a global scale.

A decade ago, we started hearing about the emergence of the information superhighway, and the promise it carried for commerce and society.

Today, we must look even further beyond an information superhighway—to the metaphorical equivalent of a "global interstate highway system" capable of transporting goods, information and funds with speed, precision, security and efficiency.

Another way to think about it is this: Think about all the activities and strategies involved in getting the right product to the right place at the right time and in the right physical and financial condition. That, of course, is easier said than done.

So, let's come down to earth with a real-life example of how goods, information and funds are converging to help synchronize commerce for one business.

It's a small company, located up in Montreal. If any of you have had the pleasure of financing a wedding, you might be familiar with this firm. It's called Malis-Henderson and for the past 50 years it's been making bridal veils and headpieces and selling them to bridal shops across Canada and the U.S.

It's been a success story, with the exception of one significant problem. C.O.D. payments from U.S. customers typically take 30 days to land back in the company's hands. Customs clearance processes and C.O.D. brokerage intermediaries are the main culprits.

For Malis-Henderson that means slower cash flow, which has a way of curtailing capital expansion and other growth plans. But it found an innovative solution to its problem. It involves a combination of customs clearance, warehousing, distribution and C.O.D. direct payments—all bundled into one solution.

So, now, when U.S. bridal shops place orders for veils and headpieces, and agree to pay for them via C.O.D., a whole set of synchronized actions are unleashed. First, Malis-Henderson ships its goods from Montreal to a customs-clearance warehouse facility located down in Champlain, New York. By consolidating shipments the warehouse is able to clear customs faster and expedite the movement of those goods into the U.S.

Once the veils and headpieces reach the bridal shops, C.O.D. cheques are given directly to a delivery driver who uploads that transaction into a wireless electronic notebook that's connected directly to the delivery company's financial services unit. Funds are then transferred directly into Malis-Henderson's bank account.

The result—everyone's happy. A 30-day cash cycle is flattened to about three days. Malis-Henderson managers spend less time finding, opening, posting and depositing C.O.D. payments and more time on critical customer-service and business-development issues. Customers, especially first timers, say they feel more comfortable writing a cheque to Malis-Henderson than to a third-party broker they don't know.

And finally, Malis-Henderson gets the holistic financial and shipping visibility it needs to run a growing multinational business successfully.

Goods, information and funds—synchronized for better results. Granted, that's just one small company with a small supply chain doing business on a relatively small multinational scale. But let's extrapolate that.

Now, let's say you're a large-scale manufacturer with a supply chain and a customer base that spans multiple continents. Let's say you're a precision-parts manufacturer—a maker of high-value, time-sensitive parts with extremely short product life-cycles.

Now, imagine having the power of total visibility into your supply chain from the time that iron ore is taken from the ground in Labrador until it is forged into steel in Beijing, fabricated in Milan, cross-assembled in Seattle, shipped to an end-user in Santiago and returned for recycling in Toronto.

Imagine what you could do with that entire life-cycle information from just that single part. How could that data be used to expedite customs, optimize manufacturing schedules, consolidate shipping and warehousing networks, minimize inventory costs, keep supply-chain partners synchronized, reach customers faster, service accounts more effectively and free up cash flow?

Have we arrived yet at this level of synchronized global commerce? No, of course not. But we can get there. For the sake of our future competitiveness, we'll have to get there.

You folks know better than most the obstacles that are still in our path:

- Geopolitical uncertainties;
- Fear;
- Financial issues;
- Insufficient infrastructure;
- Trade restrictions;
- Disparate technology standards; and
- Cumbersome customs procedures, to name a few.

Clearly, we've got our work cut out for us. But what worries me most is not necessarily a specific trade law or disparate technology or customs requirements. We can overcome these kinds of issues. What I fear most are attitudes. Bad attitudes.

We all know the anti-trade and protectionist forces are out there and their rhetoric is gaining volume. Obviously this is not just a problem for the international trading community here in greater Toronto. It's a problem for world trading communities everywhere.

Fear of trade that may disrupt one's self-interests is not just a recent problem either. It's not all tied to 9/11 and the other geopolitical problems of our time. Back in 1845, the great French free-market thinker Frederic Bastiat wrote a satirical essay where he pointed out the absurdity of candlestick makers who claimed the sun was an unfair form of competition. The protectionists said if only all windows could be boarded up during the day, more jobs could be created making candles.

Unfortunately, a principle that Bastiat poked fun at more than 150 years ago still receives attention today. The reality is that globalization—the human desire to trade with one another—is as natural a force as sunshine.

Our job is to encourage an environment that allows global commerce not only to move forward but to move forward in a way that benefits all members of the world trade community.

Cordell Hull, the former U.S. Secretary of State, once said, “When goods cross borders, armies don’t.”

We’ve heard a lot, of late, about multilateral approaches to world peace. I would also suggest that we need multilateral economic strategies to keep commerce synchronized and moving forward. Specifically, the central banks of the world’s major economies need to continue their efforts of pumping liquidity into the markets to prevent cash shortages that could disrupt commerce. The Federal Reserve and the European Central Bank and other members of the G8 nations need to be diligent in keeping interest rates low to spur investment and encourage entrepreneurship.

At the same time, governments from the world’s leading economies will need to promote expansionary fiscal policies. That’s why in the U.S. we support President Bush’s economic stimulus package and encourage similar measures around the world that provide tax relief, encourage investment and promote growth.

At the same time, I believe there are four critical economic development trends that Toronto would do well to keep in mind as we move forward in this new age of commerce. Four trends that we need to think about as we develop ideas to keep the area attractive for business and positioned for a world of synchronized commerce.

First, we need to be aware that our playing field is getting a lot bigger. We now compete in a global arena. We need to be thinking about attracting businesses from that global arena and aware that economic development officials in other parts of the world are looking to do the same. To this end, you have great assets in the intermodal capabilities of this region and the access they provide to expanding global markets. Toronto should continue to use these strengths to further position itself as a major player in the global supply chain.

Second. Roads, bridges, harbours and airports are critical but so too are those information highways and intelligence infrastructures. The communities that will win global business in the 21st century are those that are laying down the cable, the fibre and the digital switches. The communities that will win are those that are pouring resources into primary education, university research, and prized teachers. The communities that will win are those that are attracting young entrepreneurial minds who will craft the technology innovations that grow new companies. And the communities that will win are the communities that support life-long learning.

The third trend involves embracing sustainable development practices. That's not just the phrase of the day; it's a lasting trend as its name implies. People want to live and work in healthy communities. Economically healthy. But just as important—environmentally and socially healthy. Make no mistake, quality of life matters. Toronto has a great head start in this regard. People want to live here. Your thriving urban lifestyle is envied around the world. At the same time, open spaces are still out there and will continue to be if growth is managed carefully. Your local city and nearby provincial and national parks are also ranked among the best in world. Protecting the environment and the livability of this community are important advantages Toronto can bring to the table in the coming years. We live in an age where, let's face it, we have the technologies and the incentives that allow people to live and work just about anywhere. Quality of life matters more than ever.

At the same time, there's a fourth trend that's just as vital and I think closely related to sustainability. And that is regionalism. The best interests of Toronto are also the best interests of Ontario, Canada, and for that matter, most of the Northeastern U.S. Conversely, when those areas benefit, Toronto benefits. Regionalism and regional economic development partnerships are clearly the way to move forward in our global economy.

Jurisdictional battles and silly disputes between neighbours block progress and hinder economic development.

Synchronizing commerce requires a high degree of unity in the community of commerce—a community that has high expectations for its businesses and its people, a community that embraces a strategy of globalism, regionalism, technology, education and sustainable development.

That community, ladies and gentlemen, will be unstoppable.

I'm proud to be here today to tell you that we at UPS are united with you.

We believe in Toronto. We believe in Canada.

Thank you for your time and attention this afternoon, and best of luck to all of you.

The appreciation of the meeting was expressed by The Rev. Dr. John S. Niles, Rector, Victoria Park United Church and Director, The Empire Club of Canada.

Dr. Johann Olav Koss, four-time Olympic Gold Medallist, President and CEO, Olympic Aid, and Chairman, MOT (Courage), Randi McQueen, Senior Student, Parkdale Collegiate Institute and Erin Adams, HR Specialist, Policies and Programs, The Dominion of Canada General Insurance Company.

May 29, 2003

Lawrence Tapp

Dean, Richard Ivey School of Business

THE FUTURE OF BUSINESS SCHOOLS IN CANADA

Chairman: **Ann Curran**
President, The Empire Club of Canada

Head Table Guests

Heather Ferguson, Development and Alumni Relations, Faculty of Nursing, University of Toronto and Director, The Empire Club of Canada; Ognjen Visnjevac, OAC Student, North Toronto Collegiate Institute and Nominee, University of Western Ontario National Scholarship Program; Grant Kerr, Associate Minister, St. Paul's United Church, Brampton; Jack Lawrence, President, Lawrence & Company Inc.; Richard Ivey, Chairman and CEO, Invest Corporation; David J. McFadden, QC, Partner, Gowling LaFleur & Henderson LLP and Director, The Empire Club of Canada; Don Jackson, Chairman, Parkview Capital Partners Inc.; and Kevin Yousie, Chair, Ivey Alumni Association and President, Crosswater Partners.

Introduction by Ann Curran

Aristotle once said: "All who have meditated on the art of governing mankind have been convinced that the fate of empires depends on the education of youth."

Education provides the foundation on which so much can be built. With us today is someone who knows firsthand the importance of education and how it affects our country.

Lawrence Tapp became Dean of the Richard Ivey School of Business in 1995.

He transformed Canada's leading business school from a mid-level regional school into an internationally recognized institution, consistently ranked as one of the best in the world by such publications as The Financial Times, Business Week and The Wall Street Journal.

Recognizing the need for a top-tier business school in Canada, Tapp initiated the deregulation of Canadian business schools.

He felt that this was the only way Canadian schools would be able to attract top faculty and students to compete with the best schools in the world.

Under his leadership, the Richard Ivey School of Business expanded into Asia with the founding of a Hong Kong campus. The first degrees from Hong Kong were granted in 2001.

Identifying the need for an increased role for business in the formation of public policy, Tapp founded the Ivey Public Policy Institute to promote the active involvement of Canada's business elite in the formulation of policies that will lead to a stronger Canada in the 21st century.

A firm believer in leading by example, Larry Tapp sits as a chair and/or director of numerous Canadian companies and the Institute of Corporate Directors as well as continuing to teach corporate governance at the school.

Before becoming Dean of Ivey, Tapp led, in both Europe and North America, one of the world's premier packaging organizations. He is acknowledged as an innovative leader skilled in initiating change, improving performance and restructuring through cost reduction and operational streamlining.

As he prepares to leave his role as Dean of the Richard Ivey School of Business, Larry Tapp will reflect on the future of business schools in Canada.

According to Dean Tapp, business schools are challenged to ensure business faculty and programs remain relevant and keep pace with the impact of economic, technological and political forces of change while at the same time operating within a traditional academic environment.

With the increasing complexity of operating in a global environment, outstanding corporate leadership has never been more critical to Canada's competitiveness.

To attract and keep the country's best and brightest students and faculty, Dean Tapp suggests a new role for Canadian business and government leaders in the future of business schools.

Lawrence Tapp

Good afternoon and thank you for joining me today. I am very pleased to have the honour of speaking to such an eminent group of business, government and academic leaders for my final public address as Dean of the Richard Ivey School of Business.

I was asked to talk about my view of the future of business schools from a Canadian perspective. That's an important distinction. While business schools around the world face many similar challenges and opportunities, Canadian business schools face distinct challenges.

Canadian business schools have made remarkable progress over the past five years. It is truly outstanding that, despite the size of the Canadian marketplace and the significant financial constraints of their operations, several Canadian business schools have not only been able to maintain high-quality programs, but also expand their programs. The expansion at Ivey and the new buildings at Queen's, Schulich and Rotman are signals that the business faculty has become a very prominent and important one.

The most recent Financial Times ranking of business schools names no less than eight Canadian schools among the top-100 schools in the world. We should all be very proud of their ability to compete at this level.

The question is: "How long can they sustain this level of performance?"

Over the next few minutes I am going to provide you with some background on business schools in North America, outline the challenges we face today, talk a little bit about how we have started to respond at Ivey, then suggest four ways that we can be truly bold and innovative in the face of a rapidly changing environment.

The central challenges as I see them are:

- An international faculty shortage, which has resulted in heated competition for faculty from a growing list of management education providers around the world, and is further exacerbated by a declining enrollment in PhD programs. In North America there are over 900 faculty positions open. Yet we are only producing about 1000 PhDs annually and 50 per cent of those graduates head for non-academic careers. Unfortunately, a large number of these open positions will never be filled.
- Competition for Canadian students with large U.S. schools that are able to lure potential students away with promises of scholarships and a massive U.S. job market after graduation;
- Competition for international students to diversify the classroom and strengthen the learning experience;
- Increased financial requirements for academic research—the continued renewal of knowledge—that ensure Canadian faculty and curriculum remain relevant in a rapidly changing business environment;
- Increasing expectations from students paying tuition many times higher than most faculties within the university;
- The need to compete for corporate and alumni support—both financial and volunteer time—where both are invaluable commodities in short supply;
- The need to invest in branding and marketing on an international basis;
- The hollowing out of Canada, which threatens the financial support that Canadian business schools can expect in the future; and, perhaps, most importantly

- The need for business schools to find a way to remain relevant in a world that is continuously and rapidly changing.

Businesses are among the fastest evolving large-scale organizations in society. They face constant pressures from the market, whether it is from suppliers, customers or their competitors.

To meet these pressures they innovate by creating new products and services, developing new markets, merging, divesting, and so on. They are adept at change out of necessity. To do nothing is not an option.

Business schools, which exist in a protected environment, are much less adept at change because they do not have the need to change.

In fact with the increased demand for business education since the 1950s, business schools became thriving businesses themselves with a seemingly bottomless demand for their products. MBA programs and commerce programs have grown by leaps and bounds over the past 50 years. In 1955, graduate business education was virtually nonexistent, with only 3,200 MBAs awarded in North America.

By the fall of 2002, there were well over 100,000 MBAs awarded. Today over 900 American universities and 30 Canadian universities offer a Master of Business Administration. At the same time U.K. and European schools have begun to increase as well. The number of business schools in the U.K. has risen from 20 in the 1980s to over 120 today, and business education is growing throughout Asia and India as well.

On the one hand, this is good news. Business education has clearly found its place and there are plenty of opportunities for joint ventures and partnerships in these emerging markets.

On the other hand, there is clearly a large gap between the product offered by the best schools and those further down the scale.

From a Canadian perspective the challenges are significant:

- We have 30 MBA programs serving a market that is one-tenth the size of the U.S.
- Major American business schools with deep pockets annually lure our best and brightest—both students and faculty—and they rarely return.
- The proliferation of business programs and the resulting fragmentation of financial support make it incredibly difficult to sustain centres of excellence.

In Canada, we have serious issues for the future.

These challenges, as big as they seem, have been overshadowed by the events of the past two years and their impact on all of us as individuals, as corporate citizens and as leaders. The corporate scandals at Enron, Tyco and Worldcom, among several others, will go down in history for all the wrong reasons. These companies have cast a dark, if undeserved, shadow upon business education and MBA programs in particular.

So, it seems we are at a crossroads in the future of business education.

The challenges may appear immense from our current perspective, but before we delve into the future, let us first look at how and why business schools evolved to their current state.

I understand that when Harvard University first began its plans to erect a business school on the Harvard campus, it almost instigated a riot. The compromise was to allow the business school to set up shop across the river where it would not contaminate the rest of the university with its crass commercial studies.

When Ellis Morrow, who headed Western's business program during its first days as part of the arts department, introduced the case method of teaching at Western back in the early '20s, he faced many similar, and I'm sure at the time seemingly insurmountable, challenges. As I recently read his memoirs, I was struck by the similarity between his job and mine although separated by almost eight decades.

I would like to read you a few quotes from his memoirs of his time at Western because I believe they help us put things in perspective. He stated: "Our job is to figure out which areas to change in the future. The universities' first goal in creating a business school was not to turn out finished businessmen, but educated men slanted to business."

(We have to forgive Dr. Morrow for not including women. Remember, he made this statement over eight decades ago when women with business careers were rare.)

"Tied with this was the decision to place men individually on the basis of a personal record carefully compiled by members of staff so as to relieve any staff member of the invidious responsibility of recommending students to employers."

On that final point, I am sure our career management professionals wish they were born in the last century. How simple that seems now.

At the start of the century, relationships with the City of London were critical. According to Professor Morrow, the integration of the business community with the business school was absolutely paramount.

In his words, the business school needed both the business community and government to support it in a number of ways for the simple reason that their financial support was critical to the success of the school.

As Professor Morrow stated: "The relationship between business schools and the business community had five levels:

1. Assistance in the classroom;
2. Personal contact of faculty with businessmen and their organizations;

3. Student contact with business for visits, research and report work;
4. Graduate placement; and
5. Adult education."

Business schools and faculties of commerce remained unchanged and relatively stable until the 1950s. However, a report written by a Columbia University professor in 1959 shook up their world. He described American business schools at that time as a collection of trade schools lacking a strong scientific foundation.

To achieve academic legitimacy, business schools took on the traditions and ways of mainstream academia. Business schools, in both their teaching and research, began to rely on a scientific model that applied a more rigorous methodology to business research. This change also tied business schools much more closely to the main university through the promotions and tenure system.

Last fall a Stanford University professor, Jeffrey Pfeffer, published a research paper that caused a major stir with the business and academic communities. The media focused on his hypothesis that MBAs are no more successful than their non-MBA counterparts unless they have attended a top-tier school, but they ignored the critical message of his paper, which was simply a call for business schools to engage in realistic self-assessment.

Part of the problem with business schools, he stated, is that they had become institutionalized and institutions are notoriously slow to change. No one questions why they are as they are.

To thrive, or even just to survive, amid the changing conditions in which our business schools in Canada operate requires that we be continuously aligned with the changing needs of the constituencies we serve: students, alumni and employers of their graduates.

The role of the business school and the business community is a virtuous circle. Business schools identify and respond to the needs of business, but also, due to their objectivity and distance from the fray, they are able to look ahead and provide insight into the needs of the future.

At the same time, they must live within the constraints of the university environment. While ensuring that we are meeting our constituents' needs, business schools must also be cognizant of the immense impact of the ever-proliferating rankings and the influx of new competition from non-academic institutions, such as corporate universities, for-profit educational institutions, and many new distributors of business education.

The future of business schools in the traditional academic environment is changing and that's not necessarily a bad thing.

When I began at Ivey in 1995, the world was already undergoing significant change due to the impact of globalization, technology and increased competition from non-traditional education providers.

My mandate was to take Ivey into the 21st century with a global view of education. We achieved that goal with some very significant success, including the development of a thriving campus in Hong Kong, the increase of our international student body to 40 per cent of the class, the increase in our PhD program to over 60 candidates of which 50 per cent have lived and been educated outside Canada, and the attraction of a new crop of faculty to build for our future.

However, as I look back, I realize that the reason I always felt like I was running just ahead of a tidal wave was simply due to the fact that the wave was always just inches behind us.

While we recognized each phase of the change as it approached, whether it was the expanding complexity of the market, such as e-business, or the increasing pressure from new competitors, it was difficult at the time to see how this incremental change was fundamentally changing the business-school landscape.

Let me take a moment at this point to help you envisage what was happening to us. The Chair of the Ivey Advisory Board has a favourite metaphor he uses to introduce people to the unique challenges of an academic environment.

If you take a frog and drop it in a jar of boiling water, what does he do? It jumps out immediately to save itself. However, if you take that same frog and put it in a jar of lukewarm water and then slowly turn up the heat the frog will stay in the water, and do nothing, with the inevitable result that it is boiled to death. It does not have the sense to recognize when its environment is changing—with fatal results.

Am I saying that Canadian business schools should jump? No. But business schools in Canada are like the frog in the jar. They need to react to the changing environment quickly. It is time to recognize that the heat has increased and that we must take action to avoid the inevitable result. That means doing things that have not been done before—doing things that are risky.

Standing still is not an option for business schools or any organization that wants to compete and succeed on a global level in the 21st century.

As the head of one of Canada's great business schools, I have learned that we cannot depend on others to take up the cause and change things for us.

We must take charge of the future. We must anticipate the changes that will impact our organization and have the courage to take risks and be bold.

The solutions will only be found if all of the key participants—governments, universities and corporations—are willing to meet the challenge to change.

There are four key issues that must be openly debated and resolved if Canadian business schools are going to come out as winners in the long run.

Those issues are:

1. First, we need to focus our financial resources on centres of excellence;
2. Second, we have to change the place of professional schools within the university environment;
3. Third, we must build stronger links to the corporate community;
4. Finally, we must develop our own definition of success and measure ourselves against it.

Let's examine these issues a little closer.

Centres of Excellence

I am sure that many of you today were surprised to learn that Canada has 30 MBA programs. It begs the question: "What were we thinking?"

In a time when we are attracting students from Asia, India and South America, it seems absurd that Canadians feel that they need a business school in every backyard. The demand is not there and the proliferation of business programs only serves to reduce the quality of the degree overall.

The number of people writing the GMAT test in Canada is approximately 7,000 annually. Of these individuals, approximately 30 per cent will score a result over 500, which should be the minimum for any business school.

That means the true domestic market size for MBAs in Canada is around 2,000. If you divide that number by 30, you arrive at a whopping 66 students per school, not enough students to fill a class and that is before you take into account that many of those GMAT writers are entering Executive MBA programs.

Of course, the student population isn't divided this way. Ivey alone enters 300 students each year of which 60 per cent are domestic applicants. The average GMAT score is 650.

U of T's Rotman School of business enters a slightly smaller number of students—about 200—with an equally high GMAT average and 50 per cent of their student population is domestic. Between Ivey and Rotman alone we capture just over one-quarter of the domestic market. It is these schools, among a few others, that aspire to compete globally.

The remainder of the domestic market is divided among 28 other programs.

Instead of focusing our resources on a small number of business schools to ensure that we can attract the best students and faculty, we have chosen to diffuse our resources across the country weakening the ability of the strongest schools to compete internationally.

From a business standpoint this does not make sense. For this reason many people familiar with business-school challenges have begun to argue that formal business education is best delivered from a limited number of centres of excellence, rather than from a large number of institutions with varying strengths.

Creating centres of excellence also means supporting a business school's need to be not just a retailer of knowledge, but also a creator of knowledge. Without the opportunity to research and explore new ideas, our faculty must depend on the educational materials and work of peers in better funded—mainly U.S.—programs.

Financial support for research is missing from the funding formula. Ivey has a strong research record; in fact, we have doubled our research output in the past five years. Unfortunately, it is expensive; so expensive that most business schools can't deliver on this critical element of education.

We must have the courage to selectively focus our funding on the few schools in Canada who can. From a Canadian perspective, this is a very difficult decision. However, we cannot afford to make these decisions with our hearts only. Canadian students and faculty who choose to go to U.S. or European schools rarely return to Canada to work. Thus, we lose twice.

Business Schools Within a University Setting

Over the past months, there have been a few articles in the media that have focused on Ivey and its relationship with the University of Western Ontario, and before that articles written on Queen's and the early departure of its business school Dean, Margot Northey.

While I appreciate that the reporters were trying to air an issue that not only impacts the Ivey Business School, but all business schools that have deregulated their programs over the past eight years in order to remain competitive, they simplified and distorted the problem. The problem is not just money and relationships. The problem is far deeper.

Funding certainly is a critical issue for all business schools. As I noted earlier, there are hundreds of unfilled faculty positions in business schools in North America.

Without the means to attract faculty, we cannot offer the courses essential to a business program. Many people will argue that high tuitions are the key problem with business and other professional schools.

The real issue is capacity not accessibility. Business schools, like Ivey, cannot offer high-quality programs if they can't hire high-quality faculty members—or any faculty at all.

Fundamentally, business schools operate in a different arena than faculties of arts, social science, and even other professional schools such as medicine, law and engineering.

In the end our existence must be justified by how well we serve the business community in terms of both business leaders we develop and knowledge we create.

The business world is a dynamic and ever-changing body. Business schools must have the flexibility to change and adapt to ensure that we are equipping our students with the skills, knowledge, wisdom and integrity they will need to become great business leaders in the future.

In fact, in many ways, the business school is much more closely linked to the business world than the academic world.

Our faculty move in and out of business through their consulting, case-writing and development of executive development programs for corporations. Through these ongoing interactions, they keep their perspectives current and our teaching and research relevant.

The members of the Ivey Advisory Board, most of them graduates of the business school, came to the conclusion that fitting a business school within a 17th-century university structure in a 21st-century business environment is much like trying to put a football into a golf hole.

How many other faculties have hired a non-academic dean, not once, but twice? That's what Ivey has done, and it is now becoming a norm within business schools.

The role of the business school dean is as much about running a business as it is about providing business education. In any other faculty, the role of fundraising and brandbuilding play a relatively minor role. For business schools competing in a global environment, these roles are critical to survival.

Western's President, Paul Davenport, and I are both working within an institution that has a long history. I have had the relative luxury of being able to focus on Ivey, whereas he has many, often-conflicting constituents to please. Western, under Paul's leadership has grown with a deepened commitment to academic excellence. The university now has one of the highest entrance standards in Canada.

Between 1994 and 2002, the grade-point average of students entering Western has increased from 78 per cent to 84 per cent. That's an outstanding achievement and Ivey is proud to be associated with the University of Western Ontario.

Institutions by their very nature are incredibly difficult to change. But change they must, even though the legacy of the past sometimes weighs heavily.

For example, in the early 1900s, Western decided that it would focus its resources on the medical school. It was an understandable choice at the time and continues to be so now. A top medical school brings great prestige to the university and great pride to all its constituents. Treating illness and researching the causes and cures of disease is a very noble and worthwhile undertaking and serves a critical need.

Improving the economic condition of people, cities, regions and countries is also a noble undertaking, and one that is driven mainly by business. In this context, a major business school, with an international reputation, is a driver of change within its university.

Today, business schools, due to the role of business in society, have a much more significant impact on the viability and visibility of a university than any other faculty within its walls.

Ivey's Advisory Board has suggested a possible solution: Create a new relationship between universities and business schools, which provides both institutions with the ability to successfully adapt to their environment. This new relationship involves increased autonomy and enhanced funding to allow the business school to grow and succeed well into the future.

For a business school that aspires to compete on a global level, as Ivey does, a new relationship with the university will provide the focus and flexibility necessary to realize its full potential.

I believe that this issue should be open to thoughtful debate and discussion within the business community in the future.

Stronger Links with the Business Community

I think we have done a good job making the corporate world more aware of the need to support a world-class business school in Canada; however, you still need to be more proactive and involved in what is happening in business schools today.

I urge you to find out what is going on in business school research. Hire faculty members to work with your companies and sit on your boards.

Offer your time to speak to classes, and offer your company's experiences for use as cases (particularly the experiences that haven't turned out so well—we all know that we learn the most from our mistakes) and get involved as mentors to business school students.

You cannot sit back and criticize business schools without making an effort to participate in the process. It is absolutely essential for Canada.

I recognize that this is a two-way street and faculty must be cognizant of the need to proactively approach business with their research. Publishing in academic journals provides them credibility within their own areas of research, but it is essential that the impact of their work reaches far greater distances than just other universities.

The Rankings

The rankings are a relatively new phenomenon for Canadian business schools. They have both their benefits and traps. They cannot be ignored, nor will they go away. I worry that the ranking number has become a surrogate sound-bite index of program quality for prospective students, corporate recruiters, funding groups, and other stakeholders.

However, the rankings have also raised the pertinent question: "What are business schools all about? What does an MBA bring to a corporation?"

From this perspective, I must admit that the rankings have provided a positive service to our business school. They have provided us with a benchmark and keep us on our toes. While they do not always reflect the way we approach education, they have provided the necessary incentive to look at ourselves more closely, and do so with speed. The external and critical eye on our activity keeps us from becoming complacent and relying on our past success.

The rankings, along with our internal surveys inspired Ivey faculty to conduct an indepth curriculum review over the past year. As a result of this review, while Ivey remains committed to the case method of teaching, the structure and content of our MBA program—in fact the learning process itself—will undergo significant change in 2004.

Unfortunately, I will not be here when the new program is announced, but I can tell you right now, it is outstanding.

A change process of this magnitude has been an exciting and rejuvenating experience for our faculty. It has also convinced us that in order to succeed in the complex economic, social and political environment into which Ivey sends its graduates, we must be willing to forego our own preconceived ideas and traditional ways of doing things, adapt and act before the water gets too hot.

On the other hand, we cannot allow external bodies to define success for us, or to measure us against their arbitrary and meaningless criteria.

The danger of the rankings is that they can drive business schools toward a focus on image management at the expense of substantive program improvement.

While I consider the Financial Times to be the most valid ranking—because it goes beyond the starting salaries of graduates—there is no ranking that truly measures the quality and impact of the educational experience.

As business schools, we must develop our own definitions of success and appropriate benchmarks, and measure ourselves relentlessly. We must be confident that we are delivering a high-value product, both to individual students and to the Canadian business community. And we must collect the data we need to continually adapt and improve that product.

Corporate Canada must also lend its voice to this process.

At the end of the day, however, the success of our students, faculty and alumni are the true measure of our success as a school.

As I noted earlier, Canada's business schools have done an outstanding job with their limited resources and increasing global competition. However, we can't achieve our goals without the support and commitment of many people.

I am very proud that today thousands of Ivey alumni are connected to the school through alumni chapters, ambassador programs and our alumni and advisory boards in Canada, Europe and Asia.

I learned early on in my tenure, that alumni are the foundation of the success of American business schools. We must emulate that success in Canada.

While deans and administration will come and go over time, alumni are the strong thread of continuity that links the school's past to its future.

At the same time, we also need the support of the broader business community and government.

I hope that today I have persuaded you that the future for Canadian business schools lies in bold and innovative initiatives that are driven by an understanding of the needs of the business community.

So, I leave you with this challenge—be prepared to play your part in ensuring that Canadian business schools provide a world-class business education for the leaders of tomorrow.

Help us drive forward with Wayne Gretzky's advice in mind: "Don't look at where the puck is, look at where the puck is going." Thank you.

The appreciation of the meeting was expressed by David J. McFadden, QC. Partner, Gowling LaFleur & Henderson LLP and Director, The Empire Club of Canada.

Richard Ivey, Chairman and CEO, Invest Corporation and Lawrence G. Tapp, LLD, Dean Richard Ivey School of Business.

June 5, 2003

Her Excellency Maria Teresa Garcia Segovia de Madero

Ambassador of Mexico to Canada

"THE NORTH AMERICAN NEIGHBOURHOOD"

Chairman: **Ann Curran**
President, The Empire Club of Canada

Head Table Guests

The Reverend Canon Philip Wadham, Mission Co-ordinator for Latin America and the Caribbean for the Anglican Church of Canada; Robert Armstrong, Vice-President and CEO, Canacermex Inc.; David J.S. Winfield, Executive Director, The Toronto International Centre for Financial Supervision and Former Canadian Ambassador to Mexico; The Hon. Michael H. Wilson, Chairman and CEO, UBS Canada and Former Minister of Finance for the Government of Canada; Harry Swain, President, Trimbelle Limited and Director, The Empire Club of Canada; David McGown, President, The Couchiching Institute on Public Affairs and Vice-President, Corporate Development CIBC; and Robert Pitfield, Executive Vice-President, International Banking, Scotiabank.

Introduction by Ann Curran

There are many wonderful aspects to the Empire Club but the most enjoyable for me is the historical snap shots it provides though its speakers and the recording of their addresses.

A prime example can be illustrated by going back 10 years and reading some of the addresses and topics of the day. Several were about the newly formed North American Free Trade Agreement which we all know as NAFTA.

At the time, NAFTA created the world's largest single trading bloc. With the combined population of Canada, the United States and Mexico at 360 million people with an annual output of $7 trillion, this trading bloc seemed enormous. Mexico alone accounted for 85 million people, almost triple Canada's population.

In fact, on January 24, 1994—23 days after NAFTA came into being—Her Excellency Sandra Fuentes, Ambassador of Mexico, spoke to the club about Mexico and Canada—beyond NAFTA.

A quote from her address brought me back those 10 years in a flash: "After months of often-harrowing negotiation, endless editorials and television debates, not to mention tri-national diplomatic headaches, NAFTA finally became a reality. Indeed, during this past year it seemed that Mexico and Canada's favourite national pastime was to speculate on whether the deal would be ratified. Thankfully, the game is over now, and we all know the score. But today the direction and content of our speculation has shifted toward NAFTA's impact on our countries."

Today, Ambassador Garcia Segovia de Madero will outline the concept of the "strategic alliance" between Canada and Mexico.

She will also explain Mexico's vision regarding the future of North America and address the current process of redefining the region that is currently being embarked upon by the three North American countries.

But first let me tell you a little bit about our guest speaker.

Mrs. Maria Teresa Garcia Segovia de Madero has been active in political life for almost three decades. In 1984 she became a member of the National Action Party (PAN), as well as of the Executive Committee of the PAN in Nuevo León. In 1985, she was a founding member of the Democratic Electoral Assembly for Effective Suffrage, both in the State of Nuevo León and nationally.

From 1985 to 1988, she acted as a Deputy of the State Congress of Nuevo León. In 1987, together with three other state representatives, she promoted a case before the Inter-American Human Rights Commission of the Organization of American States, on account of the violation of the human rights of citizens by the Electoral Law of Nuevo León then in force. In 1991, the commission decided in favour of the claimants. This international verdict led to important changes in the electoral laws of Mexico.

Among other positions she has occupied within the Mexican government are Mayor of San Pedro Garza Garcia, Nuevo León, from

1997 to 2000, Secretary of the Municipal Council of San Pedro Garza Garcia from 1994 to 1997, and Municipal Councilwoman of Monterrey from 1991 to 1994.

Her political commitments include membership in the PAN State Council of Nuevo León and in the National Council of that party. In October, Ambassador García Segovia de Madero took a leave from her position as member of the National Executive Committee (CEN) of the PAN, in response to her appointment to Canada.

Her non-political endeavours include her role as President of the Committee of Wives of Industrial Relations Executives (ERIAC), member since 1978 of the Asociación Nacional Civica Femenina (Women's National Civic Association), member of the Board of the University of Monterrey (UDEM) and lecturer and speaker at over 350 local and international events.

Ambassador Maria Teresa Garcia Segovia de Madero has a BA in Spanish Language from the Universidad Labastida in Monterrey, Nuevo León, as well as diplomas in English Language Instruction from Oxford University and Cambridge University and in Public Administration from the Institute of Public Administration of Nuevo León.

Ladies and gentlemen please welcome Her Excellency, Maria Teresa Garcia Segovia de Madero.

Maria Teresa Garcia Segovia de Madero

Mr. David McGowan, President of the Couchiching Institute, Mrs. Ann Curran, President of the Empire Club, Mr. Harry Swain, Empire Club Director, ladies and gentlemen:

I thank the Empire Club and the Couchiching Institute on Public Affairs for the opportunity to share these remarks with you. It is a great honour and privilege to be joining both institutions in the festivities to commemorate the first centenary for the Empire Club, and Couchiching's 71st anniversary. It is a true honour since all the projects and different events put together by both organizations have gained a well-deserved reputation due to the various opportunities they provide for debate on the important Canadian as well as international issues of our times. Congratulations to you both!

The purpose of my presentation is twofold. First, I will try to explain the reasons why Mexico and Canada share a strategic alliance and in the course of such an endeavour, I shall aim to convey two messages: One that the alliance is not rhetoric, as some experts have claimed, and two that, from my perspective, the *sine qua non* condition to advance substantially in the North America integration agenda is the consolidation of the Mexico-Canada relationship. I will briefly describe Mexico's vision regarding the future of North America. It would be interesting if, after the end of my presentation, you and I could engage in a reflection exercise regarding the future of our regions and touch upon the continental integration process.

What do we mean by having a "strategic alliance" with Canada? How is the word "strategic" being viewed when used to describe what Mexico and Canada share? Since when did we begin to refer to each other as "strategic partners"?

Only a handful of countries meet the mandatory conditions and the characteristics to appear as a strategic ally to Mexico. And Canada is without a doubt one. Why? Because Canada is a country with whom we could establish an open and transparent dialogue; one that has the potential to fully co-operate in order to bring benefits to both partners; and one, above all else, with whom Mexico could easily share the political willingness to seize the comparative advantages that each country brings to the table and to our peoples.

Let me begin by saying that the governments of Mexico and Canada did not view nor call one another "strategic partners" when they first decided to establish a bilateral relationship back in January 1944, almost 60 years ago—an event that we will be celebrating next year. I definitely believe that Mexico and Canada inaugurated this strategic partnership in the early nineties, after two concrete events took place. The first was in August 1990, when

Canada's foreign policy decided to knock on the hemispheric door and join the Organization of American States and the second, and by far the most important event, was when the North American Free Trade Agreement (NAFTA) became a reality on January 1, 1994.

By just reviewing some of our mutual history we arrive at two of the reasons to explain why we share a strategic alliance: diversification and trade. In the early nineties, both Mexico and Canada were seeking to diversify their international relations. In the case of Mexico, this same strategy was not new at all. On the contrary, it could be traced back to Porfirio Diaz' days, in the early 20th century, when he, surrounded by his closest advisors, the so-called "científicos," made significant efforts to diversify the country's foreign policy. His intentions were genuine but not realistic. The strategy was reawakened in the early nineties. If we take a glance at your country's recent past, we could say that a similar interest was found in the Canadian government, particularly in 1993 when efforts were focused on having Canadian foreign policy look towards two specific regions: Asia-Pacific and Latin America. I believe that Canada's interests were best achieved in 1990, with its accession to the OAS, as previously highlighted.

Mutual knowledge, however, increased exponentially with NAFTA. Every time I review the history of our bilateral relationship, I cannot but confirm that NAFTA was "the missing link" or in other words, "the driver" that allowed Mexico and Canada to leave behind their "distance-partnership-type" of relationship for a closer, tighter and more integrated one. Prior to NAFTA, the bilateral trade exchange between Mexico and Canada was trivial. During the eighties, bilateral trade totalled $680 million, a figure that in those days represented only 1.5 per cent of Mexico's foreign trade, placing Canada below Mexico's main trading partners in that decade, such as the United States, Japan, France and Spain. One of the explanations behind those figures in the eighties had to do with Mexico's previous economic policy of "looking inwards."

Mexico is today one of the world's most open economies. We are currently ranked as the ninth economy worldwide. Now more than ever, Mexico is better prepared to face external events and this is due to the strengthening of the country's economic fundamentals. Among them are the government's commitment towards sound public finances and a significant decline in inflation and interest rates. These efforts will not only continue, but will be strengthened during the administration of President Vicente Fox, in order to free up resources for the private sector while promoting a further stable economic environment. Furthermore, in spite of ongoing regional instability and a slowdown in the global economy, Mexico has been able to avert an economic crisis.

But to offer a rough idea of Mexico's openness, let me tell you that while two decades ago Mexico received an average of US$4 billion annually in direct investment flows, in the nineties this amount tripled to nearly $12 billion. Through NAFTA, Mexico has become Canada's main trading partner in Latin America and its fourth-largest partner overall, after the United States, Japan and China. Mexico has also become the third destination of Canadian products, and currently 1,259 companies with Canadian capital are doing business in Mexico. The main sectors attracting Canadian investment are manufacturing, representing 59 per cent, followed by financial services with 25 per cent and mining with 11 per cent.

Bilateral trade with Canada has tripled, reaching more than US$11.3 billion in 2002. Between 1993 and 2001, Mexican exports to Canada grew by 170 per cent, reaching US$7.3 billion in 2002.

In tandem with the economic and trade dynamics, the political understanding between our two nations has grown strongly and expanded with time. Again, it was precisely in the nineties—right after the end of the "lost-decade"—when Mexico, compared to other nations in the hemisphere, was sprouting as "a new country" due to a series of domestic economic reforms and a decisive willingness to open to the world scene. Its political views and values were coinciding more and more with the ones held by countries such as Canada. It was then that both our countries began to realize, on the one hand, that there was "more substance" to link them and on the other, that there was an increasing commonality of interest developing between them. In a nutshell "political coincidence" was emerging—a political coincidence that has definitively strengthened with President Fox's democratic intentions to portray a new face of Mexico. In the mid-nineties, our countries grasped that they both favoured the pre-eminence of international law, multilateralism over unilateralism and respect for the basic principles that regulate countries' coexistence, such as the right to self-determination of peoples, peaceful solution of controversies and legal equality of all Nation-States just to mention a few. July 2, 2000 marked a new watershed for our bilateral relations. Vicente Fox's foreign policy, interested in placing the universal respect of human rights, the promotion of democracy and good governance among its top priorities and reactivating the relevance of multilateral organizations as natural fora whereby international actors could analyze, exchange views and positions and make decisions on the world's most prominent issues, has strengthened Mexico's and Canada's political coincidence. Our stances towards the creation of the International Criminal Court and the Inter-American Democratic Charter are only two examples of how this political coincidence continues to build.

There is coincidence, but there is also political complementarity. While Canada is trying to build a closer relationship with the Southern Hemisphere, where Mexico is a key actor and plays a pivotal role due to its cultural and historic ties within that area, Mexico is seeking to become a real partner in the North American region, where Canada plays a major role. We are trying to be "bridges" to one another and assisting one another, to achieve our respective national interests. Yet political complementarity could also mean that due to their specific peculiarities, Mexico and Canada have a vast potential for co-operation. If we analyze the conditions of each country's economy, industrial structure, agriculture, cultural and education realities and even demographic profiles, we could definitely solve a puzzle and be certain that the pieces match at the end of the game.

According to the Mexican National Statistics Institute, Mexico's population in the year 2001 reached approximately 101 million people. This is about a third of the United States population but about three times greater than Canada's. What should be underscored is not so much the figure itself, but rather the numbers outside it. Allow me to elaborate on this.

According to the U.S. Census Bureau and Mexico's National Population Council, in 2001, about 23 million people living in the United States were of Mexican descent. Roughly nine million of them are Mexican citizens and 14 million are Mexican-Americans. In other words, 23 per cent of Mexico's population—or close to one-fifth of its total population—live in the territory of our immediate neighbour to the North. Further, approximately 3.8 of these nine million Mexican nationals are undocumented workers.

As for Canada, the figures are just as interesting. For many years, when we spoke of Mexicans abroad, we were referring only to those located in the United States. However, recent trends show that more and more Mexicans are travelling to more distant lands, such as Canada. In 1986, according to the Canadian Census, about 13,000 Mexicans legally resided in Canada. By 1991, this figure had grown to 19,000 and by 1996 it stood at 28,000.

If we compare the initial figure (13,000) to the latter (28,000), we notice that in a matter of a decade, the Mexican population in Canada doubled. Currently, the figure stands at about 35,000 and the Mexican population in this country is growing at an average annual rate of about 8 per cent. This is not merely a number. Mexicans living in Canada represent one of the many pluses that contribute to Canada's multiculturalism and to the country's economy.

But the migrations and displacements are not unilateral. On the contrary, the flow of people is a two-way phenomenon, whereby Mexicans are not the only group moving out of its country of origin. On an annual basis, one out of 30 Canadian tourists visit Mexico and more than 150,000 Mexicans visit this wonderful country every year, while the number of Mexican students deciding to either begin or finish their higher education here is increasing. On the other hand, there are over one million U.S. citizens residing in Mexico, which makes it the largest foreign community in our country. And, not unexpectedly, the third-largest foreign community in Mexico today is Canadian.

The importance and impact of these figures are definitively reflected in the number of diplomatic representations we have in each other's countries: Mexico has three Consulates—General Vancouver, Toronto, and Montreal—plus the Embassy in Ottawa, and five Honorary Consulates in Quebec City, Manitoba, Dartmouth, St. John's and one in Regina. Allow me to take this opportunity to announce that responding to the intense co-operation established with the provincial authorities of Alberta and with the business sectors located in this province, as well as the dynamic academic exchange that is currently taking place, the Government of Mexico has wisely decided to open a Consular Agency in Calgary. The inauguration of the agency is scheduled to happen next month.

This just goes to demonstrate two important facts:

1. How well integrated in terms of people's mobility and government representation our societies are, which at the same time show the political importance given to the bilateral relationship; and,
2. It is not only Mexico's face that is currently experiencing a change, but also Canada's.

The mobility of our peoples definitely has something to do with the sharing of common values. A first survey conducted by EKOS Research on the future of North America, demonstrated, among other things, that Mexico and Canada share values that are not shared with other countries within the hemisphere. For example, this survey revealed that Canadians and Mexicans, for instance, are, in general terms, more tolerant societies. In particular, the results of the study impressively illustrated that Canadians and Mexicans are particularly tolerant toward immigration, for instance. These value commonalities between Mexicans and Canadians are undeniably a solid basis of the "strategic alliance."

Last, but not least, is the obvious feature of geography. It would be futile to deny that anyone interested in the Mexico-Canada equation, would have to consider the "U.S. variable." Prior to and following the formal establishment of diplomatic relationships, our common neighbour has significantly influenced the two countries' domestic and international development. As with any neighbour in our personal lives there have been moments when Mexico and Canada have decided to be closer than other times. There are passages in the history of both countries' foreign policies that shed light on how, at certain times, they have looked for more autonomy and diversification, but we have also witnessed other types of cycles—those where both countries have deployed clear strategies to seek a closer and stronger relationship with the United States.

The reality is that we both share significantly long borders with the U.S. and those borders will not disappear. But having the world's hyper-power as our common neighbour has brought Mexico and Canada closer. For those particularly aware of power and identity issues, the sharing of the border with the U.S. is quite a concern, due to the fact that there is general understanding that it would be the United States, specifically—in its role as superpower—setting forth the guidelines in all realms of co-operation. This perception may be strengthened after September 11. But it is also true that the "strategic alliance" that Mexico and Canada are beefing up can diminish the power asymmetries and thus work in a joint fashion and provide their own input.

As a confirmed "North Americanist," I believe that there are at least two ways where the "strategic partnership" could work efficiently to diminish and, if possible, eliminate the asymmetries within North America:

First, recognizing the fact that the integration process is well underway, whether we like it or not, and that NAFTA—especially in the case of Mexico—has made it even more inevitable and taking the latter as a given, it is of the utmost importance to go beyond the agenda, rather than reacting to often contradictory realities of the integration process. Any projection of North America will have to take a broader approach and, ultimately, be used as the framework for the creation of a long-term and more comprehensive working agenda.

Second, Mexico and Canada need to really begin thinking "out of the box." Having the United States as the common neighbour brings us a plus; a plus that translates into "more substantial matter" to exchange among us—an exchange that could only end up strengthening us internally, as well as bilaterally and internationally. Take the issue of border management after the dreadful terrorist attacks on New York and Washington. Although the nature and dynamics of the Canada-United States borders are completely different from those characterizing the one we share with the United States, there are more than a handful of border issues and a good amount of border management expertise that both countries can share, particularly in light of the fact that Canada and Mexico have each signed "Smart Border" Declarations and Plans of Actions with the United States. We have then two separate documents that are almost a facsimile. Whether common ground exists or not, border management is only one of a plethora of issues where Mexico and Canada vis-á-vis the United States could work in a very positive fashion making the "Mexico-Canada connection" stronger.

The list of features, conditions and causes defining *la raison d'être* of the strategic alliance does not stop here. Our relationship is privileged and forward-looking and we should definitely take advantage of this to move ahead in the North American integration continuum.

Mexico wants to continue widening and deepening the integration process and it is interested in doing it along with its two North American partners. It was here in Canada, in Ottawa, when President Vicente Fox first voiced his concept of building on a NAFTA-Plus. Considering that in general terms, NAFTA has been a success story. As of today, NAFTA-Plus means for Mexico:

a) More trade and investment according to the Agreement's paradigms;
b) Inauguration of a new era, where the three countries could establish a more comprehensive trilateral co-operation agenda; that is, an agenda that goes beyond trade and investment.

There is a pressing need to devise and eventually agree on regional scenarios encompassing variables that go beyond issues such as trade and investment, without of course, disregarding the latter two.

There is a governmental willingness to embark upon a more serious exercise of strategic planning that could eventually result in a more comprehensive and long-term vision for our region. Proof of the latter is the Guanajuato Proposal, the Ottawa Declaration and the sum of bilateral encounters that our three leaders have sustained in the last couple of years as well as the historic Quebec meeting, where Presidents Fox, Bush and Prime Minister Chrétien met for the first time to recognize common grounds to strengthen trilateral co-operation, but also to identify some of the areas on which three-way co-operation, under a revised idea of a broader North American community, could be based.

Next year marks the 60th anniversary of the Mexico-Canada bilateral relationship as well as NAFTA's 10th birthday. The year 2004 gives us an historic opportunity to celebrate of course, but also to think, rethink and exchange views on the North American future that we want our grandchildren and great grandchildren to inherit. It is up to the governments, but also to civil societies of the three democratic countries to begin a serious discussion on how we want North America to be shaped in the next 20 to 25 years. Thus, I extend you an invitation for two magnificent and fabulous "fiestas"—two enormous opportunities to consolidate Mexico and Canada's strategic liaison and to jointly design the next phase of this mega project called the "North American Neighbourhood" with a "Capital N."

Thank you.

The appreciation of the meeting was expressed by Robert Pitfield, Executive Vice-President, International Banking, Scotiabank.

June 13, 2003

His Royal Highness The Duke of York

FAITH, SERVICE, RESPONSIBILITY AND RESPECT

Chairman: **Ann Curran**
President, The Empire Club of Canada

Head Table Guests

William F. White, President, IBK Capital Corp.; Jeannie Butler, President, Positive Changes and Chair, Canada's National Ballet School and Chair, Centennial Gala Committee, The Empire Club of Canada; George Cooke, President and CEO, The Dominion of Canada General Insurance Company and Past President, The Empire Club of Canada; The Hon. Tony Clement, Minister of Health and Long-Term Care, Government of Ontario; Geoffrey Mitchinson, Vice-President, Public Affairs and Reimbursement, GlaxoSmithKline; Ken Shaw, National Editor, CFTO Television and Director, The Empire Club of Canada; Terry Guest, Executive Director, The Round Square; Tulla Bateman-Parkin, Marketing Director, National Ballet School of Canada and Member of Centennial Gala Committee, The Empire Club of Canada; and The Most Rev. Terence E. Finlay, Honorary Chaplain, The Empire Club of Canada.

Introduction by Ann Curran

Well ladies and gentlemen not only are we here to celebrate the Centennial of The Empire Club but we are also here to welcome and hear from His Royal Highness The Duke of York.

As the video mentioned, this club was created 100 years ago to foster better understanding and strengthen its ties with Britain and the Commonwealth.

Over the years the club has evolved and expanded to discuss issues and ideas of national and international importance.

So it is very fitting to welcome to our podium 100 years later a member of the Royal family who can share his views on Canada, the Commonwealth and the global community.

Ladies and gentlemen, please welcome His Royal Highness The Duke of York.

The Duke of York

When I was asked to come to speak to you today I asked what I should talk about and I was told that I should talk about my educational and personal philosophies. I have since been told that this, although interesting in itself, would not be of any interest to this group. So having prepared one speech I had to reject it. I was then asked to speak on more topical matters that pertain to your Centenary and in particular to the position of the monarch in Canada. This too was deemed too close to the mark and something that I was neither knowledgeable about nor authorized to speak on. So I tore up another carefully prepared speech. What I should speak to you about became a nightmare of dramatic proportions as time for preparation ticked by.

I decided that I would tackle the topical and educational subject from a different perspective and try to tie together the over-arching principles of leadership and service that so envelop our family's life.

We have been celebrating the 50th year of the Queen's accession last year in the Golden Jubilee celebrations and most recently we gave thanks in Westminster Abbey for the 50th anniversary of her coronation.

I want you to think for just one moment what it must have been like for a 26-year-old to come to the throne of England. The daunting prospect ahead of her must have been almost too incredible to contemplate.

We have now been ruled by her for 50 glorious years and I want to share with you some of the ethos that has rubbed off on me that might help to shed light on the monarch and her exquisite leadership.

I am the first child to be born to a reigning monarch since Queen Victoria in the 19th century. Life for me began in Buckingham Palace and it is my home. It is a strange place to be brought up if you think about it for a moment; an office by any other description. My mother was determined that we should have the same chance to be a family as anyone else. But there were significant differences that I can remember. For example, I remember that if I didn't get up for breakfast at the appointed time it was allowed to go cold and was then taken away by the staff. This was a very good first lesson in life. In order not to starve I had to be on time for meals. But much more importantly, my life depended on many other people and my duty was not to make their lives more complicated than they already were with all their other duties. So the understanding that others were just as, if not more, important than myself was a lesson well learnt and never forgotten.

I remember that my mother, despite all the many different duties she had, would always make time for us in the mornings and evenings so that we always spent quality time with our parents. I did start life at a time where children were still seen and not heard, but as time has passed this has changed.

My early educational influence was from the philosophy of Kurt Hahn. Hahn did not simply believe in education as filling the brain with academic knowledge. He worked on the principle of acquiring knowledge and experience and educating the whole person. He stressed "the importance of purposefully directed experience as a part of a whole education." And if there is one thing that I have learnt it is that understanding failure is as important, if not more important, than understanding success.

Hahn's philosophy was to free the sons and daughters of the wealthy and powerful from the limitations of privilege. It might perhaps be an old-fashioned view, but one that has certainly stood the test of time with me.

Having grown up in this environment it was no wonder that I joined the Royal Navy. It became clearer to me during my time in the service just what it meant to be in a position of responsibility or command. I had the privilege to command one of Her Majesty's ships for nearly two years. In that time I came to understand the nuances of leadership and command that my upbringing and education had prepared me for. When in command of a ship you are almost a god as your word is the law. The understanding of how to wield this power is the greatest lesson I could have learnt.

When my mother became Queen in 1952 it was a great shock to her and the world. She had the benefit of an upbringing that prepared her for the day when this would happen. Although you can never be fully prepared for what might happen, the upbringing and education you have experienced can all be drawn upon to help in what you are experiencing in the here and now.

But for a moment I want to reflect on the Coronation that took place this month 50 years ago by looking at the Coronation service we had a couple of weeks ago.

This was a service of immense importance that perhaps has been lost over time and through the changes we have witnessed the past 50 years.

To quote from the service: "This Abbey has resounded to the acclamation of the people for their Sovereign. For here is held the ceremony of coronation, the anointing and crowning, as the Monarch commits herself to lead and serve the nation. It is a very public but also an intimate ritual."

"It begins with the presentation to the congregation and their formal recognition of their 'Undoubted Queen'."

It is not until you see it written down in those simple terms that there is an inkling of what lies in store for the rest of a monarch's life as "she commits herself to lead and serve the nation." It is a public but also an intimate ritual.

It does not matter whether this is England, Scotland, Australia or Canada. To all of them and you she is committed and has committed her life to your service. This is done on a day-to-day basis in Canada by the Governor General on her behalf.

But this personal commitment is of vital importance to everyone and something that is now lost to some.

Within the service we gave thanks for her Faith, Service, Responsibility and Respect.

First, Faith:

I was brought up in the Church of England and it is through this that I have come to understand my mother's commitment and faith in her God. We were all encouraged to investigate our faith and our relationship with God and I know that the relationship that I have is a personal one that may be different from my siblings' but is as deeply rooted as that of my mother's. Her wisdom is born from a deep understanding of her faith and commitment in the sight of God in Westminster Abbey.

Second, Service:

"'Coronation' means 'crowning,' but the heart of the ceremony is in fact the anointing. Dressed simply, the Sovereign is anointed with oil by the Archbishop, the ceremony being hidden from the gaze of the people by a canopy held by four knights. Anointing sets someone apart for a sacred, and often sacrificial, function."

The monarch no longer washes feet as was done in the past. But the handing out of "The Royal Maundy" each year is a symbolic representation of that act of service reminding everyone of the Monarch's personal service to her people.

The reading from St. John finished with the sentence by Jesus: "For I have given you an example, that you also should do as I have done to you."

The Monarch gives you her personal commitment to serve you all the days of her life, whether here in Canada or in the U.K. My knowledge of how this is manifested is demonstrated on a daily basis and I have been brought up to understand that commitment, and to serve her as well as I can on her behalf. I see this not as a strange commitment to serve my mother as well as my Monarch but as an additional part of my upbringing and evolving understanding of her commitment to you and for you.

Next, Responsibility:

To quote from the order of service again: "The Monarch is given symbols of office, the orb and sceptres, and finally the crown. It is the moment when it might look as though absolute power rests in the Sovereign. But to lead does not imply power over others rather the authority to represent them. The Sovereign is crowned and takes on this awesome responsibility, reminded by the words above the altar that, "The kingdom of this world are become the kingdoms of our Lord and of his Christ."

The responsibility that rests on the Queen is indeed awesome and although she has had 50 years to get used to it, it doesn't change the fact that she feels the responsibility every day. I was saying earlier that I began to understand the responsibility of command and leadership when I was in command of a ship. I only had 45 men. It was awesome to me and the understanding of power is something that can be intoxicating. Nevertheless my upbringing and sitting at the Queen's feet for all these years has taught me much about responsibility and its awesomeness.

The wisdom of The Queen is based on years of experience and she, I know, is aware of the need for a light touch and long view, things that can't be taught but a part of what the day brings.

Lastly, Respect:

"Once the Monarch is crowned and acclaimed, representatives of various groups approach, kneel, and swear allegiance to their Sovereign. The first is the Archbishop of Canterbury, the one who crowned the monarch."

We live in a new age where the age of deference has been superseded by the age of reference and we are in danger of losing sight of one or two fundamental building blocks of democracy if this is misunderstood. Respect is one of these blocks. It is not only our respect for the faith, service and responsibility of our Monarch but also her respect for us. Everyone knows that loyalty is a two-way street. Going right back to the beginning of what I said it was a lesson I learnt very early on in life. But the same is true of respect.

In conclusion I will finish with a quotation from the Queen's Christmas Broadcast last year in 2002:

"Anniversaries are important events in all our lives. I felt that the Golden Jubilee was more than just an anniversary. The celebrations were joyous occasions, but they also seemed to evoke something more lasting and profound—a sense of belonging and pride in country, town or community; a sense of sharing a common heritage enriched by the cultural, ethnic and religious diversity of our twenty-first century society. It was a time to remind ourselves that we must never forget the plight of the disadvantaged and excluded, that we must respond to the needs of someone in distress or despair. Each day is a new beginning. I know that the only way to live my life is to try to do what is right, to take the long view, to give of my best in all that the day brings and to put my trust in God."

The appreciation of the meeting was expressed by Ann Curran, President, The Empire Club of Canada and Director, Corporate Development International.

June 26, 2003

Sir Andrew Burns

British High Commissioner to Canada

THE BRITISH LEGACY: DIPLOMATIC REFLECTIONS

Chairman: **Ann Curran**
President, The Empire Club of Canada

Head Table Guests

Edward P. Badovinac, KH, Director, The Empire Club of Canada, Chairman of the Yearbook, The Empire Club Foundation and Member, The Royal Commonwealth Society of Canada; The Reverend Vic Reigel, Christ Church, Brampton; Victoria Sharpe, Grade 11 Student, Toronto French School, Multiple Award Winner, RCS Toronto Branch "Essay Contest"; Bill Laidlaw, President, Parkelaw Inc. and Immediate Past President, The Empire Club of Canada; Deryk King, Chairman and CEO, Centrica North America/Direct Energy; The Hon. Sinclair M. Stevens, PC, QC, Chairman, The Royal Commonwealth Society, Toronto Foundation; John C. Koopman, Vice-President, Spencer Stuart and 1st Vice-President and President-Elect, The Empire Club of Canada; Bill Sinclair, Director and CEO, West Toronto School of Excellence and Member, Committee for the International Royal Commonwealth Society Essay Competition; Allan P. O'Dette, Director, External Relations, GlaxoSmithKline; and The Rev. Canon Ebert Hobbs, Chair, Royal Commonwealth Society, Toronto Branch, Honorary Assistant, St. Paul's (Bloor Street) Church and Retired Chairman, DVA Navion Canada.

Introduction by Ann Curran

I now have the pleasure of introducing our very special guest—Sir Andrew Burns.

Sir (Robert) Andrew Burns took up his appointment as British High Commissioner to Canada in August 2000.

Born on July 21, 1943, he went to Highgate School and then read Classics at Trinity College, Cambridge. He joined the Diplomatic Service in 1965 and studied Urdu and Hindi at the School of Oriental and African Studies in London before taking up a Political Section post at the British High Commission in New Delhi in 1967.

Returning to London in 1971 as the desk officer for the Balkan countries, he then served as Secretary to the U.K. Delegation to the Conference on Security and Co-operation in Europe meeting in Helsinki and Geneva.

In 1976 he was appointed Head of Chancery at the British Embassy in Bucharest.

Back at the Foreign and Commonwealth Office in 1978, he worked on conventional arms control in Europe before being appointed in early 1979 as Private Secretary to the Permanent Under Secretary and Head of the Diplomatic Service—a post he held until the summer of 1982.

In 1982–83 he was a visiting Fellow at the Harvard University Centre for International Affairs, before being appointed Counsellor (Information) at the British Embassy in Washington and Head of British Information Services in New York.

Returning to London, he was first the Head of South Asian Department (1986–88), then the Head of News Department (1988–90) where as the official FCO spokesman he was also Press Secretary to three successive Foreign Secretaries (Sir Geoffrey Howe, Mr John Major and Mr Douglas Hurd).

Then, as the Assistant Under Secretary of State responsible for Asia (1990–92) he was particularly responsible for the later stages of negotiations over the transfer of sovereignty in Hong Kong.

In 1992 he was appointed British Ambassador to Israel, a posting which coincided with the second administration of Prime Minister Yitzhak Rabin. He returned to London in 1995 to be the Deputy Under Secretary of State responsible for the U.K.'s bilateral relations outside Europe and for the U.K.'s world-wide trade and investment promotion.

In November 1997 he was appointed the first British Consul-General to the Special Administrative Region of Hong Kong, following the transfer of sovereignty to the People's Republic of China and also to Macau.

Today Sir Andrew will discuss "The British Legacy: Diplomatic Reflections."

He will soon step down as British High Commissioner to Canada in July and retire from the British Diplomatic Service after 38 years in a variety of increasingly senior posts in London and around the world.

Sir Andrew will offer some reflections both on the course of his own diplomatic career and on the challenges that face the world in the 21st century and how Canada and the United Kingdom can work together in helping to make the world a safer place.

Ladies and gentlemen please welcome Sir Andrew Burns.

Andrew Burns

Madam President, distinguished guests, ladies and gentlemen:

Thank you very much for that very warm welcome. It is a great pleasure to be invited to address the Empire Club in Toronto at this special Canada Day luncheon. And I am particularly pleased that so many young winners of the Royal Commonwealth Society's Essay Contest are here too.

As you have heard, I am close to retirement. This is my last visit to Toronto and indeed my last public engagement here before I finally step down in three weeks' time. I thought that if you would indulge me I might reflect on my diplomatic career. It began in India, a Commonwealth country, and over the last 35 years has taken me to all four quarters of the globe. But before doing so, may I first say a heartfelt thank you to Canada for making this final posting such an enjoyable, stimulating and rewarding three years. I have travelled extensively from coast to coast, and only last night got back from a week in the North visiting Nunavut, NWT and the Yukon.

The relationship between the United Kingdom and Canada goes a long way back and it goes very deep. The personal ties and the social, economic, cultural, business and political links that bind our two countries not only go deep, they mean a huge amount to our citizens on both sides of the Atlantic. I have never encountered a society where I have felt so at home and where I have sensed that the values and traditions that matter in life are so clearly ones that strike strong chords with anyone from Britain. The daily dialogue between us is intense.

In saying this I do not mean to endorse what the very first speaker said to your club 100 years ago—namely, "that the highest interests of the Dominion of Canada are identical with the interests of the British Empire." No, times have moved on. Though I think the purpose of the Rev. Prof. William Clark's speech on December 3, 1903 was to argue against annexation by your great neighbour to the south. Perhaps times have not changed as much as we might think!

A great part of my task here, it seems to me, has been to remind everyone of the contemporary importance of our bilateral relationship and to refresh its relevance for the younger generation. And in that context, how pleased I am that there are some youngsters here who have already benefited from the work of the Royal Commonwealth Society.

The trouble is that relations between us are so good that we tend to take them for granted. You agonise about your relationship with the United States, or the fine print of dealings between your federal and provincial governments. We in Britain agonise over our relationship with the European Union and debate the virtues of devolution.

But we should never forget that this is the oldest and most important of our overseas friendships. As the recent ceremonies on Juno Beach reminded us yet again, this is the alliance, the partnership, upon which we can most rely. This is the friend with whom we have most in common. This is the friend who has instinctively backed us in time of trouble or need—WWI, WWII and the peace process in Northern Ireland.

When it became clear for example that the international community could not stand by as the former

Yugoslavia degenerated into murderous anarchy, Canada and the U.K. were amongst the first to intervene. Canadian soldiers have been there without a break ever since, maintaining a particularly close relationship with their British Army colleagues inside a multinational brigade in Bosnia. This is a relationship that routinely places British soldiers under a Canadian command. And vice versa.

When I look back on my career, I wonder at how often I have had to start by explaining what a diplomat is and what he does. He is not simply—indeed he is not at all—someone sent to lie abroad for his country. No, I believe it to be not merely a very honourable profession, but a profoundly important one. We try to oil the wheels of global affairs and we try to identify and fend off challenges to our security and prosperity which, if neglected, might cause damage far in excess of the horrors of the 20th century.

A high commissioner, that is to say an ambassador, or indeed any other kind of envoy must of course pay particular attention to the people whom he represents. Whether we are issuing passports, answering enquiries, promoting trade or issuing travel advice, a British mission nowadays is keenly aware of the standards the public expects and of the importance of providing prompt and accurate advice.

Never has this been so important, or sometimes so difficult to achieve, as when we are grappling with big public-health scares such as recently SARS or BSE—or indeed foot and mouth disease a year or two back.

There is a huge drive on in the British government to get us all to think in terms of a public-service ethos rather than a public-sector one. To think of the services we are delivering and the customers we are satisfying, rather than to keep ourselves inured behind high walls and a misguided assumption that in some way we can deal with pure policy alone. That is a very welcome change from the Diplomatic Service I entered in 1965.

But there is no escaping the fact that the core function of an envoy abroad, the thing that makes him or her distinct and unique, is the ability to conduct a privileged conversation between two governments. The outside world can never know the full extent of this activity. But it deeply relies on the ability of governments to talk quietly behind the scenes about ways to handle the challenges that we all face in furthering the interests of our own people in a highly competitive world, one where economic or social disaster has often deeply fractured many societies.

For example, throughout my career the stability of the North Atlantic Alliance has been paramount. It remains so. A high point in my career was serving in the early 1970s on the British delegation to the Conference on Security and Co-operation in Europe—the three-year conference which triggered the disintegration of the Warsaw Pact. We worked very closely with our Canadian colleagues.

There was a moment at the end of the Cold War when people thought that the peace dividend might even include a dismantling of the alliance. We know better now. NATO has been the bedrock of Western stability and prosperity since the Second World War. It is now welcoming new members from Central and Eastern Europe. It is reaching out to the Russians and other erstwhile foes. And it is increasingly taking action outside its own area, as we have recently been doing in Afghanistan and now in Iraq. It is only NATO which carries the commitment of governments on both sides of the Atlantic and ensures that our individual European military capabilities are properly allied and co-ordinated with the enormous military resources existing on this side of the Atlantic.

But if NATO remains of dominant importance, so too does the European Union. European union has come a long way since the original community of six nations. We are currently 15-strong and about to expand to 25 by the end of this year. Such an enlargement of the European family means that virtually every city and culture of importance in Europe is being brought together under one co-operative umbrella. We have to find new ways of managing the decision-making process and of determining what subjects should be dealt with at a community level and what subjects should be handled still by the individual nation states.

The European union is a process, not a finalised state. A Convention on the Future of Europe is underway, trying to come up with a draft constitution which will explain to the 550 million citizens of this new enterprise quite simply what it is that they belong to and why and how it will work.

One of our key requirements is of course to ensure that while we reap the benefits of closer economic and social co-operation with our neighbours, we do not lose our own sense of identity and our own political, social and cultural individuality. That we do not lose the particular national ties that bind people to their nation and governments to their people.

It is against this background too that we in the U.K. have recently been debating yet again the wisdom of joining the European Monetary System, that is to say the common currency, the euro.

Building closer European unity is a massive and historic endeavour which has coloured my whole career as a British diplomat.

But of one thing we in the U.K. are convinced: that we should not develop a Europe which seeks to stand in contradistinction to our North American friends, a Europe which sees itself as an alternative pole of attraction. No, what we want is a really strong partnership between Europe and the United States, and Canada. If we allow ourselves to be divided or conclude that we are destined to go in separate directions, then we shall split the North

Atlantic Alliance, we shall weaken the voice, the authority and strength of the Western world, and we shall do our citizens and the peace of the world a grave disservice.

This is of course one of the reasons why the stakes have been so high recently in the context of Iraq. The British government rallied immediately and very strongly to the United States after the appalling attacks of 9/11. It is what the British people would have expected of any government. That mood reflected a very real sense in Britain that the attacks on the United States were an attack on us all. And it reflected a keen desire to come to the aid of a United States under attack and help develop a response to terrorism which would be both effective and respectful of the values we hold dear.

The action in Afghanistan had the wholly beneficial result of disrupting a very dangerous terror network. Working closely with Canada, the U.K. and allies from Europe and all over the world, we have made a real start at rebuilding the shattered economy and society of Afghanistan. This is a long, long road. We must persevere. We greatly value Canada's commitment to send troops there again this summer. A failure to create a viable, peaceful state in Afghanistan can only lead to further instability in an already unstable part of the world, and further unleashing of terror and drugs on the West.

When it came to Iraq there was of course a very widespread sense around the world that Saddam Hussein was a dictator who behaved appallingly towards his own people and was a menace to his neighbours. Ever since the Iraqi invasion of Kuwait and the Gulf War of 1991 we have been engaged with Canada, with the United States and with other allies in trying to keep a lid on the situation to prevent Saddam Hussein renewing his attacks against his neighbours, and to try to protect as best we could the minority groups within Iraq who were under such pressure. But overflights and no-fly zones, sanctions and the interdiction of shipping in the Gulf are not something that could have gone on interminably.

The British government has had two primary concerns in dealing with Iraq over the last nine months. We wanted to see the authority of the United Nations upheld, and we wanted to see an end to Saddam Hussein's weapons of mass destruction.

We tried very very hard to secure UN support. We achieved that in Resolution 1441. We thought it preferable to have a second resolution before any military action was undertaken. We regretted that that proved impossible, though we went several extra miles in an effort to secure agreement. When we took action we had no doubt that that action was legal, right and proper.

Nor did we have any doubt that action was required to demonstrate to Saddam Hussein and indeed to other recalcitrant governments around the world that the United Nations Security Council is not a paper tiger, but a force to be respected, whose orders and resolutions should be implemented. We judged that there would be far more danger in backing down than by taking the action which we eventually took with a coalition of countries that shared our view.

Now the task is to rebuild Iraq and allow its people to benefit from the rich resources of their country. In time we shall find more evidence than we have at the moment of what weapons of mass destruction Saddam Hussein actually had, and how he tried to conceal them.

The big challenge however is to make a reality of the new Road Map for a settlement of the Arab/Israel dispute on the basis of two states—a sovereign and viable Palestinian state next to an Israel which can be confident in secure borders.

As a former ambassador to Israel I know how deep the desire for peace is, and yet how traumatized the people of both societies are by the endless violence. Until we find a resolution to the Arab/Israel dispute, we shall continue to face a public opinion in the Islamic world which is resentful, suspicious, hostile and frustrated. That is no basis upon which to build future security and stability. President Bush's success in bringing together the Prime Minister of Israel and the new Prime Minister of the Palestinian Administration holds out the prospect of new progress towards an elusive peace. There can be no greater prize at present.

Beyond the situation in the Middle East there are so many other global issues to be resolved. The spread of weapons of mass destruction in the Korean peninsula. The continuing dispute between India and Pakistan over Kashmir. The difficulty we continue to face in achieving genuine trade liberalization through the WTO negotiations. Our governments, when they meet in the G8, or at the United Nations, or in the OECD, or in so many other fora, have huge challenges to address together.

I believe that one of the strengths of British diplomacy and one of the more positive elements in world affairs is the Commonwealth—a body which belies frequent predictions that it is irrelevant by finding itself besieged by new applicants. The Commonwealth played a distinguished role in the long arguments over apartheid in South Africa. It continues to be a body where real progress can be achieved on some of the issues affecting Africa. It is a wonderful force for good in promoting professional and technical advancement. It is a body in which Canada and Britain both play a very important part.

Finally, let me turn to the world of culture and education. As you know, the cultural arm of the British government is the British Council. I have a very active and imaginative colleague here, and together we do our best to promote an understanding of Britain which is more up-to-date. We are a hugely mixed and varied country these days and this diversity gives us strength.

So what final conclusion do I draw as I look back over the last 40 years? The lesson is one which came home most forcibly to me in the context of the handover of sovereignty from Hong Kong to China. When first we negotiated the agreement with the Government of China in 1984 we were concerned to protect Hong Kong's way of life for as long as possible under the new dispensation. As a result we have this excellent concept of one country, two systems. Of Hong Kong as an autonomous region running its own affairs. And the Joint Declaration speaks of how the capitalist system in Hong Kong will be preserved for at least 50 years.

We thought then that it was the capitalism of Hong Kong that made the place so special and different. But over the years since then of course China, like so many other countries, has increasingly embraced the open market. As we spent hour upon tedious hour seeking to unravel Hong Kong's dependence on Britain so that it could stand on its own feet as an autonomous region within China, we discovered that the real guarantee, the real essence in Hong Kong, was the rule of law—an uncorrupt, predictable system of justice, a society where fair play ruled.

I think it is this issue of fair play which goes to the heart of people's expectations. We see this particularly strongly in the Commonwealth, where the countries are by and large ones that had a long exposure to British administrative practice. There are many legacies from an Empire of which Britain can be proud, and I daresay there are some of which we should be ashamed. But we did inculcate in all the societies with which we came into contact this sense that everyone was equal before the law, and that everyone was entitled, if not to be judged by his peers, then to be given his day in court and able to argue his or her view before judges who would act without fear or favour, without prejudice or arbitrariness. Those are very precious attributes. They are valued increasingly around the world.

Without that rule of law societies will never acquire the kind of investment needed to make their countries progress. It is the justices of courts, both supreme and ordinary around the world, that have most impressed me over my 38 years. I am no lawyer, but the good sense, the common sense, the practical judgement of the judges plays an absolutely critical part in the well-being of our societies. Sticking by the rule of law is what government is all about. Transparency, accountability and honesty all make up an attitude of mind without which societies will never be able to prosper.

How fortunate we are in Canada and Britain to live in societies where these values are so well-respected and widely observed.

The appreciation of the meeting was expressed by The Rev. Canon Ebert Hobbs, Chair, Royal Commonwealth Society, Toronto Branch, Honorary Assistant, St. Paul's (Bloor Street) Church and Retired Chairman, DVA Navion Canada.

Travino Betty, Project Manager, Retail Advertising, Sears Canada and Silver Medal Winner, 1998 Commonwealth Games, Molly Killingbeck, Athlete Services Manager, Canadian Sport Centre, Ontario, Coach Canadian Sprint/Relay Team, 2002 Commonwealth Games in Manchester, England and one of Canada's most successful athletic competitors and Larry Stout, Business Anchor, CTV News Net at the Toronto Stock Exchange and Honorary Director, The Empire Club of Canada.

Edward P. Badovinac, KH, CET, Chairman, Good Neighbours' Club and Director, The Empire Club of Canada, Michael L. Eskew, Chairman and CEO, UPS and Ann Curran, Director, Corporate Development International and President, The Empire Club of Canada.

Warren Goldring, Chairman and CFO, AGF Management Limited and Director, The Empire Club Foundation, Blake C. Goldring, CFA, President and CEO, AGF Management Limited and Director, The Empire Club of Canada, Barbara Goldring, Member of The Empire Club of Canada and Peter Mansbridge, Chief Correspondent, CBC Television News, Anchor, "The National" and Host, "Mansbridge: One on One."

Annual General Meeting

President's Report

June 26, 2003

Chairman
Ann Curran, President

Ann Curran

Reverend Reigel, distinguished head table guests, Past Presidents, Board of Directors, guests and members of The Empire Club of Canada. Notice has been given that our Annual General Meeting is to be held on this date and Edward Badovinac has agreed to act as Secretary for the meeting.

In accordance with Article VI, Sub-section 2, of the Empire Club's amended Constitution, I am pleased to report on the year's activities, following which I will move for adoption.

President's Report

Over the years, being a member of this Club has given me great joy but being its Centennial President has been a great honour. Witnessing firsthand the dedication and commitment of the staff and many volunteers was inspiring. The diversity and distinction of the speakers was enlightening and enriching and the performance and financial success of the Club was rewarding.

Personally, this has been an amazing year. Needless to say, I felt mixed emotions as I wrote this report. Part of me was sad as it signals the close of my year and my ability to help shape the centennial year of the Club. Having said that, it also means that I can now turn my attention to other challenges, knowing that the Club will be in good hands and starting its new century with a new President and a very dedicated Executive.

Membership

Total membership for the year 2002–2003 was 1,271 which included 102 life members, 116 spousal, 533 regular, 12 student, 183 senior and 325 head table guests.

Attendance

A total of 44 meetings for the year 2002–2003 attracted 8,638 attendees representing a statistical average of 233 attendees per meeting. I am also proud to report that the Club raised $148,900.00, another record amount of the Club through corporate sponsorships and student tables. To all of our sponsors, a sincere thank you for your generosity. As you know we are a not-for-profit organization and these funds allow us to survive and carry on the work of providing this prestigious forum for distinguished speakers.

Speakers

Our club is one of the oldest and most prestigious speakers' forum of record. This year was no exception. We had Canadian and international speakers—men and women who have distinguished themselves in many fields of endeavour graced our podium. Our speakers ranged from presidents and CEOs of multinational corporations to authors; federal cabinet ministers and provincial premiers to environmentalists and arctic explorers; physicians and health-care specialists to financial and investment wizards.

We also held several joint luncheons to share a platform and speaker. This has helped to broaden Club exposure and potentially increase membership. Joint luncheons were held with The Couchiching Institute on Public Affairs, The European Union Chamber of Commerce, The Fraser Institute, The Royal Commonwealth Society of Toronto and The Canadian Club of Toronto.

Initiatives

We may be one of the oldest speaking forums but we are always moving forward with new ideas and initiatives.

1. The Web site was updated, redesigned and fully indexed speeches are now available on-line.
2. A corporate video was produced to capture the essence of the Club through interviews with Past Presidents, Directors and members of the Club.
3. New brochures/membership applications were created and produced.
4. A new e-mail database of over 5,000 people has been created to send out luncheon notices and increase Club awareness.
5. If speakers were agreeable, Rogers taped a 5-minute interview following the luncheon. This provided a relaxed format with our guest speakers and potentially longer exposure to a television audience.
6. Book draws to reward members and guests for attending as well as increasing the e-mail database.
7. Amended Constitution to change date of AGM and reduce Directors Quorum. These were approved to better reflect the operating practices of the Club.
8. 100th Anniversary Luncheon and Gala Centennial Luncheon to raise profile, spirit and money for the Club and its Foundation.

Finance

Membership fees for regular membership, $50.00; spousal, $60.00; senior, $37.50; student, $30.00; or senior spousal, $50.00. Luncheon prices remain at $35.00 for members but non-member prices have been increased to $45.00 and a table of ten to $400.00. The increase in non-member and table prices was intended to off-set the gradual hotel cost increases that the Club has absorbed over the last few years.

The financial statements for the year ending April 30, 2003 will be presented to the Board of Directors. The audited financial statements will be published in the 2002–2003 yearbook.

Foundation

On behalf of the Directors of the Empire Club, I would like to extend our appreciation to David Edmison, Chair of the Foundation, for his work in producing the yearbook. Also, for his support in helping the Club fully index and make available our speakers' addresses on-line at www.empireclub.org.

Appreciation

There is not enough time to thank all the wonderful people who have helped make this year so special. However, I would like to thank the Club's Executive John Koopman, Bart Mindszenthy, Bill Whittaker, Alex Squires and Kevyn Nightingale who served as 1st, 2nd and 3rd Vice-Presidents, Secretary and Treasurer respectfully. Their trust and consul was greatly appreciated. Bill Laidlaw and other Past Presidents who gave me good advice and help when I needed it. I would also like to thank the following Committee Chairs who headed up and diligently followed through on the following:

Committee	**Chair**
Head Table	Bart Mindszenthy
Publicity	Heather Ferguson
Attendance	John Koopman
Membership	Bill Whittaker
Past Presidents Dinner	David Edmison
Christmas Luncheon	Gareth Seltzer
Protocol	Sandy Cameron
Centennial Gala	Jeannie Butler
Welcoming Committee	Bill Duncan
Yearbook	Edward Badovinac

This Club could not function without the dedication and loyalty of our Club Administrators Debbie Testa and Colin Wickham. I am always amazed at what they are able to achieve given our limited financial and technological resources.

As well, the management and staff of the Fairmont Royal York Hotel for their outstanding service.

Also not to forget Laura Boston and the staff at Rogers Television who produce and broadcast our luncheons to a broad television audience.

Our Centennial year was celebrated with two exceptional luncheons—a Centennial Gala Luncheon with HRH The Duke of York and a 100th Anniversary Luncheon with The Hon. James Baker III.

A very special thank you goes to Jeannie Butler and Tony van Straubenzee respectively for without their inspiration and resolve those magical events would not have happened.

I would also like to thank the corporate sponsors who supported those events as well as our regular luncheons.

Last, but not least, I would like to thank my husband Rick and my family for their understanding, patience, encouragement and support.

Respectfully submitted,

Ann Curran
President

Amendments to the Constitution

First Amendment: Be it resolved that paragraph 2 of Article VI of the By-laws be deleted and replaced with the following language:

ARTICLE VI

Annual Meeting

2. The annual meeting shall be held not later than June 30 in each year. At the annual meeting a report of the year's proceedings and work shall be submitted by the President and this report shall be accompanied by an interim report from the Secretary-Treasurer.

Proposed by Sandy Cameron and Seconded by John Koopman.

The motion was approved unanimously.

Second Amendment: Be it resolved that Article III number 2 of the By-laws be amended to read:

ARTICLE III

Number and Quorum

2. The board of directors shall consist of forty members of whom ten shall constitute a quorum. The board of directors shall include at least four past presidents of the club, one of whom shall be the immediate past president and three others shall be the three presidents immediately preceding the immediate past president if they are willing and able to act as directors.

Proposed by Robert Dechert and Seconded by Edward Badovinac.

The motion was approved unanimously.

Report of the Nominating Committee

June 26, 2003

Bill Laidlaw

Madam President, fellow directors, distinguished guests, and members of The Empire Club of Canada, it is my pleasure as Chair of the Nominating Committee to report to you on the work of the Committee which was constituted in accordance with Article III of the Club's Constitution.

Nominating Committee

The following persons served on the committee:

Bill Laidlaw
John Koopman
Bob Dechert
Sharon Rudy
Ann Curran

Honorary Officers

The Nominating Committee is pleased to report that the Honorary Officers nominated for the 2003–2004 season are as follows:

Honorary Chairman
The Hon. Henry N. R. Jackman, OC, KStJ, OOnt, CD, LL.B., LL.D

Honorary President
Her Excellency, The Rt. Hon. Adrienne Clarkson, CC, CMM, CD

Honorary Vice-President
The Hon. James K. Bartleman, OOnt

Honorary Chaplain
The Most Rev. Terence E. Finlay

Honorary Secretary
The Hon. David Crombie

Honorary Treasurer
Hartland M. MacDougall, CVO, OC

Honorary Solicitor
The Hon. William G. Davis, PC, CC, QC

Honorary Directors

It is the recommendation of the Committee that the following serve as Honorary Directors: Leland H. Ausman, Willis L. Blair, Mary. R. Byers, The Hon. Barnett J. Danson, PC, Major William A. Duncan, CD, A. Carlyle Dunbar, Montague Larkin, William J. McCormack, CA, Larry Stout, and J.A.William Whiteacre, MM, CD, QC.

Directors

According to the Club's Constitution "the Board of Directors shall consist of forty members...including at least four Past Presidents of The Empire Club of Canada, one of whom shall be the immediate Past President and the three others shall be the three Past Presidents immediately preceding the immediate Past President..."

Therefore, in recognition of this constitutional requirement, the Committee nominates the following Past Presidents as Directors of the Club:

the immediate Past President, Ann Curran

and also William D. Laidlaw, Catherine Steele, and Robert J. Dechert

Furthermore, the Nominating Committee recommends that the following members of the Board of Directors continue to serve in the coming year:

David Agnew
Edward P. Badovinac, KH
The Rev. Kim Beard, BA, BEd, MDiv
Fiona Blondin

LCol. A.G. (Sandy) Cameron
Charles S. Coffey
Verity Craig
Heather C. Devine
Heather Ferguson
Fred Gorbet
Duncan N. R. Jackman
Anne Fotheringham
David L. Lindsay
Malcolm J. MacKillop
David J. McFadden, QC
Doug Morris
Sharon Rudy
Margaret Samuel, MBA, LL.B, CFA
Ken Shaw
Harry Swain
Catherine S. Swift

Resignations

I would like to take this opportunity to pay tribute to Diana Chant, The Hon. Tom Hockin, QC, Blake Goldring and Sean Webster for their contribution to The Empire Club of Canada.

New Directors

The Nominating Committee is pleased to nominate the following new members for the Board of Directors:

Bonnie M. Brownlee
Diana Conconi
Diane Francis
Don McCutchan
Lou Natale
Loudon Owen
Dale E. Patterson
Tim Reid
Robin Sears

Officers

In addition to the above-mentioned nominees, the Committee recommends the election of the following three people who will be proposed to the Board of Directors for appointment to the positions of Vice-President and Director:

1st Vice-President and President-Elect
Bart J. Mindszenthy, APR, FCPRS

2nd Vice-President and Director
William G. Whittaker, QC

3rd Vice-President and Director
The Reverend Dr. John S. Niles

The Nominating Committee is pleased to report that C. Alexander Squires has agreed to continue as the Club's Secretary and that Kevyn Nightingale has agreed to continue as the Club's Treasurer. Both Alex and Kevyn will also serve as Directors of the Club.

Finally, your Committee is pleased to nominate John Koopman as President and Director of The Empire Club of Canada for its 2003–2004 season.

Respectively submitted,

Bill Laidlaw

Chair, Nominating Committee

I, William D. Laidlaw hereby move that the report of the Nominating Committee be accepted and approved by members in attendance at this meeting.

Madam Chair, if you would kindly ask for a seconder.

Seconded by Edward Badovinac

Then a motion to close nominations by Bill Laidlaw

Seconder for that motion: Sandy Cameron

The President then asked the Acting Secretary, Edward Badovinac, to cast a single ballot in favour of those persons named in the report of the Nominating Committee in accordance with Article III-3 of the Constitution of the Club. The President declared the members properly elected as Directors of The Empire Club of Canada.

She then called the President-Elect John Koopman to the podium to be installed as the new President.

MEMBERSHIP 2002–2003

Life Members

N. John Adams
J. D. Alexander
William N. Allan
B.Gen. & Mrs. S. F. Andrunyk
Mr. & Mrs. Leland H. Ausman
Ruby P. Avison

Mr. & Mrs. Edward P. Badovinac
Joseph Batty
Bruce Birrell
Willis L. Blair
R. L. Broad

Mrs. Charles Carter
Sir Arthur R. T. & Lady Chetwynd
Mr. & Mrs. Elgin E. Coutts
Nola Susan Crewe
Dorothy Crummey
Mrs. Matthew Currie

George C. Damiani
Douglas A. C. Davis
Elvio Del Zotto
Mr. & Mrs. D. L. Derry
Robert G. Douglas
Mr. & Mrs. E. A. Duvernet

Dr. David J. Fieldhouse
A. E. Fitzpatrick
Col. C. S. Frost, Jr.

George Raymond Gibson
Kenneth G. Graham
Patricia A. Grand
Wayne Scarisbrick Gray
Ian Griffin
John W. Griffin

George S. Hanson
Paul T. Hellyer
Roland E. Henderson
Adam B. T. Hermant
Peter Hermant
John D. Herrick
Col. R. H. Hilborn
William S. Hill
Dorothy Hobbs

A. E. M. Inwood
John F. Irwin

Dr. and Mrs. Frederic L. Jackman
The Hon. Henry N. R. Jackman
Friederich W. Jung

John Kemp

George R. Laidlaw
Anne Lato
John V. Lawer
M.Gen. Bruce J. Legge
Kenneth Legge
Eric N. Lehner
James D. Lewis
Mr. & Mrs. D. D. Lucas
Joseph F. Luciano

Nona Macdonald Heaslip
John A. & Gail MacNaughton
Ewald P. Mazurek
Fred G. McBrien
John S. G. McCrimmon
F. Y. McCutcheon
James W. McCutcheon
Konrad R. W. Mech
Dr. Herbert Michel
Mr. & Mrs. Edwin Mirvish
D. V. Mosher
Clifford N. Moss

John F. Nagel
James G. A. Naish
Chris Nickerson

Major R. B. Oglesby
Stanislaw T. Orlowski

Norman Pearson
B. E. Plain

Dr. Sheila Pollock
D. A. Pryer

Stevan Ralph
Grant L. Reuber
John E. Richardson
Rev. Canon & Mrs. H. F. Roberts
Helen E. Roman Barber
Col. The Hon. R. C. Rutherford

J. A. Seyfried
Mrs. H. R. Shaver
Dr. & Mrs. W. K. Shultis
Sam Sniderman
Dr. & Mrs. R. F. Stackhouse
G. O. Stafford
Henry J. Stalder
Mr. and Mrs. G. G. Steele

Graham John Tappin
Mrs. Barton F. Teasdale
K. R. Thomson
Leonard I. Turkevics
R. Turnbull
Capt. T. C. Turner
LCol. P. J. Tuz

Kenneth M. Watson
Douglas S. Wells
Rod Whale

Andrew Stephen Zarnett

Senior Members

H. H. Alexander
R. F. K. Anthony
Bluma Appel
G. Warren Armstrong
Douglas B. Astley

Bill Bahen
Betty Balmer
Sonja Bata
K. J. Beamish
Josephine Beard
Ruth Beaucage
Fred E. Becker
Rosemarie Bell
Avie Bennett
Gerard R. Berlinguette
Dr. Henry Berry
Barbara Birchwood
Peter J. Bloemen
Adrian Bornemisa
William B. Bot
Gloria Boyd
Helen Brisbin
David Buck
Roel C. Buck
Alexander Budrevics
Mary Byers

LCol. A.G. Cameron
Dorothea Carter
Col. John Catto
E. J. Chard
Luba Chavels
Dr. Christina Chruszez
James H. Clarke
John H. C. Clarry
James H. Claydon
J. M. Wayne Code
J. M. Coker
J. C. P. Conrad
F. J. Cornish
HCol. William J. Coyle
Shirley Crang
Noel Croxon
Rita Culnan
Dr. Kalman N. Czegledy

R. G. Dale
The Hon. Barnett J. Danson
S. Darveshali
Mihajlo & Mara Dika
C. Arthur Downes
A. Carlyle Dunbar

Stuart E. Eagles

Peter B. G. Ferguson
George Fierheller
Rhoda Finneron
Robert J. Fleming
C. Dennis Flynn
Henry Formosa
Don Forsey
Carl Fox
Betty Fraser

Graeme Goebelle
Dr. Rene Goldberger
Dr. M. E. Graham
Earle Gray
Karl Gyaki

Paul Haberl-Schicker

C. L. Haney
Ruth Hart
Keith C. Hendrick
Cedolph Hope
Ying Hope
Elizabeth Hughes
LCol. P. W. Hunter

A. B. Irwin

Aileen Jackson
Bernice Jackson
Don K. Johnson
Douglas A. Joyce

Taimi Kapsi Cushing
Carrie Kaye
Netta Keaton
Clayton Keefe
Norman J. Keyes
Barry B. Khojajian
Dr. George Kibedi
Harry Kim
Gene Kinoshita
Marie Knaul
LCol. Gerhard A. W. Knopf
Coral Ko
Dr. George Krynski

Major Arthur Langley
Peter K. Large
Montague Larkin
Andrew Lawson
John H. Lee
Laura Legge
John D. Leitch
J. Peter Liddle
Dr. W. R. N. Lindsay
Elizabeth Lipcsei
Wilfried Lorenz
Collette C. Losier
Margit Lovrics

H. Ian Macdonald
Robert K. Mackenzie
Rev. Arthur Macrae
Brian Magowan
Dr. George A. Malcolm
Victor Martinaitis
G. Chester McClure
The Hon. Walter McLean
Willis S. McLeese
Marjorie McLetchie
Colin J. McMechan

Eileen R. McNeil
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R. C. Meech
Dr. Daniel M. Mehta
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John H. Milnes
Maneklall V. Mooljee
Peter J. Morgan
Robert Morrow

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Douglas C. Nesbit
Edwin T. Nobbs
Joe Nusca

Alfred U. Oakie
Col. Edmunds Ozols

Bruce R. P. Parsons
W. W. Pegg
E. T. Pherrill
Ted Piekarz
Major The Hon. Joseph H. Potts
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R. Dorene Seltzer
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Doreen Sloggett
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Gunter Strangemann
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Gordon W. Swayze
Prof. Thomas H. B. Symons
Dr. Thomas Szirtes

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I. N. Van Nostrand
Shirley Velletta
Florence Voyce

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J. A. Wm. Whiteacre
Douglas J. Whitfield
Charles Russell Whittington
Richard L. Whittington
Warren D. Wilkins
Marie Wilson-Sanders
Marina Winters

Ernst Younes

Michael Zygocki

Regular Members

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Diana Adachi
Kenneth Adamson
D.S. Affleck
Ron Aharoni
R. J. (Rob) Anderson
George D. Anderson
Paul Ankrett
Dr. Antoine Aouad
B. A. (Bruce) Archibald
Ariane Arend
Doris Arend
Karsten Arend
Susan M. Armstrong
H. Anthony Arrell
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Lisa Azzuolo

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Pierre Beaumier
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Ron Begg
Liz Bell
Warren Bell
Paul Bellack
Geoffrey Berg
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Dil S. Bhogal
Sardool Bhogal
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Laura Boston
Helene Boughton
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Jennifer Bowman
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Sean Boyle
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J. T. Brazier
Susan Brissette
Maria Britto
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Graham A. Brown
Graham Brown
Hugh M. Brown
Heather Brown
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Andrew Buntain
Christopher H. Bunting
Patrick Burka
Leanne Burkholder
Libby Burnham
Edward Burrow
Anna Lankford Burwash
Brad Butt

Arnice Cadieux
Ruth L. Cameron
Mac D. Campbell
Terry Campbell
Robert J. Campbell
John A. Campion

Tony Canonaco
Joseph Carbonetto
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Lynn Catenazzi
Catherine R. Charlton
Kevin Cheung
Robert Chisholm
Catherine Clark
Dr. Ian Clark
Peter J. Clarke
Ryan B. Clarke
The Hon. Tony Clement
Noreen Clement
Charles S. Coffey
Dale Coffin
Barbara Collins
Gary Collins
Diana Conconi
Gerry Connelly
Heather Conway
George L. Cooke
Virginia Cooper
C. Anthony Coote
Bob Copeland
Stuart Cordrey
Joan M. Costa
Pauline Couture
Denis Couture
Donald J. Cowan
Verity Craig
J. S. Crichton
Susan E. Crocker
Hugh Crosthwait
Phil Cunningham
Ann Curran
Mrs. Joan Currie
Trevor Currie
Dr. Jerry M. Cuttler
Barry Cybuchowski

Dominic D'Alessandro
Thomas P. D'Aquino
Timothy Daciuk
Tom Dalinda
Shawn Dalton
Janet Davidson
Bryan P. Davies
Robert M. Davies
Donald L. Davis
Paul Davis
Marjorie Daw
James de Gaspe Bonar
Matey Nedkov de LaCamp
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Michael Dell
Carl DeLuca
Heather C. Devine
Dr. Reuben Devlin
Richard Dicerni
Mark J. Dietrich
Nicholas E. J. Dietrich
Charles Dillingham
John Franklin Domsy
Andy Donovan
Major M. A. Peggy Downes
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Francois Du Plessis
Ian Dutton
Ms. Rose Anne Dyson

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Kyle Einhorn
Pat Elke
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Murray Elston
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Robert Evans

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Bill Farlinger
Roberto Faoro
Ted Fauteux
Bela W. Fejer
Harry D. Ferguson
Anthony Ferrari
Cameron D. Field
Rick Findlay
The Most Rev. Terence E. Finlay
Mr. and Mrs. Al & Eleanor Fiorino
Gary Fogler
Ronald F. Forbes
Tracey M. Foster
Ruth Fothergill
Leo Fournier
Pamela Fralick
Sheila Frame
Joseph H. Francoz
Hugh Franks
Patricia S. Fromstein
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Neil Gilbertson
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Scott Gilmore
Anne Godfrey
Lionel J. Goffart
Hugues Goisbault
David Gold
Harley Goldlist
David Goldman
Sandra M. Gonder
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Fred Gorbet
Jeffrey S. Gordon
Lucia Gordon-Swims
Audrey Gouskos
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H. Donald Guthrie

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T. M. Hannan
Donna Harris
Doug Harrison
R. Harte
C. Stuart Hartley
Phil Hassan
Jeffrey M. Hauswirth
Dr. C. A. Havlicek
Gabriel J. Hayos
William Hazelton
Randy Helander
Jim Henderson
Lars Henriksson
Jean-Louis Herivault
Kathleen Hermant
Rives G. Dalley Hewitt
Stephen Hewitt
Austin Hirtle
The Hon. Thomas Hockin
Catherine Hofstetter
R. Doug Hogan
John Honderich
Beth Horowitz
Trelawny Howell
John Hrycak
Susan M. Hunt
Elizabeth Hunt
Richard Kim Hunter

Ross Hurst
Julien Hutchinson
Alan G. Hutton
D. Cameron Hyde
James I. Hymas

Anthony M. Iantorno
Oxana Iatsyk
John W. Irwin
Ram R. Iyengar

Duncan N. R. Jackman
Rev. Edward J. R. Jackman
Eric F. Jacob
T. G. Jamieson
Kaz Jana
Clifford R. Jenkins
Peter Jobling
Tom Johnson
James Johnston
Mark Johnston
Michael Joliffe
Carol A. Jones
David Jube

Shamsh Kara
Mark Kassirer
Alik A. Kassner
Diane Kazarian
Dale Kearns
C. A. (Kit) Kennard
David Kerr
Stephen B. Kerr
Philip Khaiat
Patrick E. Kierans
Takashi Koezuka
Tom Koger
Steven Koles
Vera Konovalenko
John C. Koopman
Stuart Koskie
Edward J. Kowal
Stan J. Krol
Michael Krywenky
Joe Kubes
Krystyna Kupfer

Veronica Lacey
Kristine Lai
Bill Laidlaw
Dr. Claude Lajeunesse
J. Anne Lamont
Sandra Landreth-Kerr

Michael Langstaff
Joe Lassaline
R. John Lawrence
Enio Lazzer
Stephen LeDrew
David Lee
Ralf Leitner
Jimmy Leung
Lorraine Lewis
Trevor Burnett Lewis
Ernst H. Lieb
J. Mark Lievonen
Philip B. Lind
Don Lindsay
David L. Lindsay
Christopher Logan
John Loosemore
Garth Low
Tony Luk
Peter Lukasiewicz
Warren M. Lundy
Charles Mark Lunnin

Debbie J. MacDonald
Dave MacDonald
Jack C. MacDonald
David MacDougall
Gloria J. MacDowell
Karma MacGregor
Murray Mackenzie
Catherine Mackenzie Nugent
Major Robert Mackenzie
Malcolm J. MacKillop
David MacKinnon
Heather MacTaggart
Tyler Magowan
Robert Malone
George John Malyk
Raj Manucha
Harry Margulies
Trevor Marks
Sean C. Martin
Antoinette S. Marwitz
Tel Matrundola
Judy Maus
Terry McCool
The Hon. Barbara McDougall
David J. McFadden
William P. McGuigan
Don McGuire
James McIlroy
Gordon K. McIvor
Joyce McKeough
Michael J. McLaughlin
Lawrence M. McLean
S. R. (Bud) McMorran
Andrew G. McMurtry
Ian D. C. McPhail
Amanda McWhirter
Lee Meister
Monika Melao
J. Alexander Menzies
Robert J. Metras
Ronnie Miller
Steven Mills
Denzil Minnan-Wong
Philip Mirabelli
David Mirvish
R. Peter Misener
Al Mishra
Joanne Modugno
Linda Montgomery
David Moore
Erlinda Mopas
Sylvia A. Morawetz
Myles Morin
W. F. Morneau
Denis Morrice
Doug Morris
Dr. Jean A. Moss
Robert Mowat
Bridget M. Munnoch
Dr. Heather Munroe-Blum
Graham Murray
P. W. Musselman
Jeffrey M. Musson
John G. Myers

Gary A. Nacht
Stanley Naftolin
Chris Nelson
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Peter G. Nicol
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Auditors' Report

To the Members of
The Empire Club of Canada

We have audited the statement of financial position of The Empire Club of Canada as at April 30, 2003 and the statements of operations and net assets and cash flows for the year then ended. These financial statements are the responsibility of the Club's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Club as at April 30, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the Ontario Corporations Act, we report that in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

KPMG LLP
Chartered Accountants

Toronto, Canada
Sepember 26, 2003

Financial Report

THE EMPIRE CLUB OF CANADA
Statement of Financial Position for the Year Ended April 30, 2003 with Comparative Figures for 2002

	2003	2002 (restated— note 2)
Assets		
Current Assets		
Cash and short-term deposits	$364,702	$382,558
Accounts receivable	15,611	27,660
Inventory	1,680	2,002
Prepaid expenses	24,242	925
	406,235	413,145
Capital Assets	1	1
	$406,236	$413,146
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	$ 62,978	$ 56,870
Due to The Empire Club Foundation	25,103	25,063
Deferred revenue	7,903	8,397
	95,984	90,330
Net Assets	310,252	322,816
Commitments (note 3)		
	$406,236	$413,146

Signed on behalf of the Board

Kevyn Nightingale
Treasurer

Ann Curran
President

The accompanying notes are an integral part of these financial statements.

Financial Report

THE EMPIRE CLUB OF CANADA
Statement of Cash Flows for the Year Ended April 30, 2003 with Comparative Figures for 2002

	2003	2002 (restated— note 2)
Cash provided by (used in):		
Operations		
Excess (deficiency) of revenue over expenses	$ (12,564)	$ 28,199
Change in non-cash operating working capital:		
Accounts receivable	12,049	(2,688)
Inventory	322	—
Prepaid expenses	(23,317)	206
Accounts payable	6,108	24,136
Due to The Empire Club Foundation	40	(87)
Deferred revenue	(494)	(56)
Increase (Decrease) in Cash and Short-term Deposits	(17,856)	49,710
Cash and Short-term Deposits, Beginning of Year	382,558	332,848
Cash and Short-term Deposits, End of Year	364,702	382,558

Signed on behalf of the Board

Kevyn Nightingale
Treasurer

Ann Curran
President

The accompanying notes are an integral part of these financial statements.

Financial Report

THE EMPIRE CLUB OF CANADA
Statement of Operations and Net Assets for the Year Ended April 30, 2003 with Comparative Figures for 2002

	2003	2002 (restated— note 2)
Revenue		
Membership fees	$ 27,101	$ 26,850
Luncheons		
Regulars	52,155	45,545
Specials and joints	(585)	(1,300)
Head table sponsors	73,450	77,160
Other sponsors	25,500	24,000
Interest	8,437	9,913
Ties, scarves and tea	168	—
	186,226	182,168
Expenditures		
Meetings	1,506	991
Members' notices	29,545	18,732
Office and general	35,260	17,080
Office salaries and employee benefits	78,109	67,543
Printing, stationery and postage	10,417	4,186
Publicity and promotion	647	2,558
Rent	12,725	12,515
Telephone	5,581	5,364
Yearbook donation	25,000	25,000
	198,790	153,969
Excess (Deficiency) of Revenue over Expenditures for the Year	$ (12,564)	$ 28,199
Net Assets, Beginning of Year	$322,816	$294,617
Net Assets, End of Year	$310,252	$322,816

The accompanying notes are an integral part of these financial statements.

Financial Report

THE EMPIRE CLUB OF CANADA
Notes to Financial Statements for the Year Ended April 30, 2003

1. *General*

The Club was incorporated under Letters Patent in the Province of Ontario on March 26, 1912. The principal function of the Club is to provide a forum for prominent people to address members of the Club and their guests on topics of current interest.

2. *Significant Accounting Policies*

(a) Revenue Recognition
The Club follows the deferral method of accounting for contributions. Membership revenue is recognized as revenue in the year to which the membership relates. Luncheon revenue and sponsorships are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions and interest are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

(b) Inventory
Inventory is valued at the lower of cost and net realizable value.

(c) Capital Assets
Capital assets, consisting of office furniture and equipment, are recorded at nominal value and additions are recognized as office and general expenditures in the year acquired.

(d) Due to The Empire Club Foundation
A donation to The Empire Club Foundation for the estimated cost of supplying the Club's membership with the yearbook of the current year is accrued each year.

(e) Deferred Revenue

Deferred revenue consists of membership fees paid in advance, unredeemed luncheon tickets and life memberships not yet amortized. Life memberships are amortized into revenue over the expected 30-year life of a member. Effective April 30, 2002, life memberships are no longer offered.

(f) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue, expenses and changes in net assets during the year. Actual results could differ from those estimates.

3. *Change in Accounting Policy*

During 2003, the Club retroactively changed its accounting policy for reporting its life memberships. In prior years, these funds were recorded as part of restricted net assets. In the current year, a motion was passed by the Board to transfer these funds to deferred revenue where they will be amortized into revenue over their useful lives.

Prior year figures have been restated to include an increase in deferred revenue and a decrease in net assets, in the amount of $6,726.

4. *Commitments*

The Club entered into a lease agreement for premises expiring on September 30, 2003. This lease has been renewed for an additional two-year term, expiring on September 30, 2005.

Minimum annual lease rental payments under this agreement are as follows:

2004	10,050
2005	10,200
2006	4,250
	$24,250

5. *Fair Values of Financial Instruments*

The carrying values of cash and short-term investments, accounts receivable, accounts payable, due to the Empire Club Foundation and deferred revenue approximate their fair values due to the relatively short term to maturity of these instruments or because they are receivable or payable on demand.

6. *Comparative Figures*

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.

Auditors' Report

To the Members of
The Empire Club of Canada

We have audited the statement of financial position of The Empire Club of Canada as at June 30, 2003 and the statements of operations and net assets and cash flows for the two-month period ended June 30, 2003. These financial statements are the responsibility of the Club's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Club as at June 30, 2003 and the results of its operations and its cash flows for the period then ended in accordance with Canadian generally accepted accounting principles. As required by the Ontario Corporations Act, we report that in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

KPMG LLP
Chartered Accountants

Toronto, Canada
Sepember 26, 2003

Financial Report

THE EMPIRE CLUB OF CANADA
Statement of Financial Position for the Two-month Period Ended June 30, 2003 with Comparative Figures for April 30, 2003

	June 30 2003	April 30 2003
Assets		
Current Assets		
Cash and short-term deposits	$404,568	$364,702
Accounts receivable	44,828	15,611
Inventory	1,680	1,680
Prepaid expenses	1,938	24,242
	453,014	406,235
Capital Assets	1	1
	$453,015	$406,236
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	$ 80,552	$ 62,978
Due to The Empire Club Foundation	25,273	25,103
Deferred revenue	10,041	7,903
	115,866	95,984
Net Assets	337,149	310,252
Commitments (note 2)		
	$453,015	$406,236

Signed on behalf of the Board

Kevyn Nightingale
Treasurer

Ann Curran
President

The accompanying notes are an integral part of these financial statements.

Financial Report

THE EMPIRE CLUB OF CANADA
Statement of Cash Flows for the Two-month Period Ended June 30, 2003 with Comparative Figures for the Year Ended April 30, 2003

	June 30 2003	April 30 2003
Cash provided by (used in):		
Operations		
Excess (deficiency) of revenue over expenses	$ 26,897	$ (12,564)
Change in non-cash operating working capital:		
Accounts receivable	(29,217)	12,049
Inventory	—	322
Prepaid expenses	22,304	(23,317)
Accounts payable	17,574	6,108
Due to The Empire Club Foundation	170	40
Deferred revenue	2,138	(494)
Increase (Decrease) in Cash and Short-term Deposits	39,866	(17,856)
Cash and Short-term Deposits, Beginning of Period	364,702	382,558
Cash and Short-term Deposits, End of Period	404,568	364,702

Signed on behalf of the Board

Kevyn Nightingale
Treasurer

Ann Curran
President

The accompanying notes are an integral part of these financial statements.

Financial Report

THE EMPIRE CLUB OF CANADA
Statement of Operations and Net Assets for the Two-month Period Ended June 30, 2003 with Comparative Figures for the Year Ended April 30, 2003

	June 30 2003	April 30 2003
Revenue		
Membership fees	$ 484	$ 27,101
Luncheons		
Regulars	18,305	52,155
Specials and joints	5,101	(585)
Head table sponsors	20,600	73,450
Centennial event	8,554	—
Other sponsors	—	25,500
Interest	1,782	8,437
Ties, scarves and tea	—	168
	54,826	186,226
Expenditures		
Meetings	—	1,506
Members' notices	4,920	29,545
Office and general	6,680	35,260
Office salaries and employee benefits	12,752	78,109
Printing, stationery and postage	393	10,417
Publicity and promotion	—	647
Rent	2,121	12,725
Telephone	1,063	5,581
Yearbook donation and sundry	—	25,000
	27,929	198,790
Excess (Deficiency) of Revenue over Expenditures for the Period	$ 26,897	$ (12,564)
Net Assets, Beginning of Period	$310,252	$322,816
Net Assets, End of Period	$337,149	$310,252

The accompanying notes are an integral part of these financial statements.

THE EMPIRE CLUB OF CANADA
Notes to Financial Statements for the Two-month Period Ended June 30, 2003

1. *General*

The Club was incorporated under Letters Patent in the Province of Ontario on March 26, 1912. The principal function of the Club is to provide a forum for prominent people to address members of the Club and their guests on topics of current interest.

2. *Significant Accounting Policies*

(a) Revenue Recognition
The Club follows the deferral method of accounting for contributions. Membership revenue is recognized as revenue in the year to which the membership relates. Luncheon revenue and sponsorships are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions and interest are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

(b) Inventory
Inventory is valued at the lower of cost and net realizable value.

(c) Capital Assets
Capital assets, consisting of office furniture and equipment, are recorded at nominal value and additions are recognized as office and general expenditures in the year acquired.

(d) Due to The Empire Club Foundation
A donation to The Empire Club Foundation for the estimated cost of supplying the Club's membership with the yearbook of the current year is accrued each year.

(e) Deferred Revenue

Deferred revenue consists of membership fees paid in advance, unredeemed luncheon tickets and life memberships not yet amortized. Life memberships are amortized into revenue over the expected 30-year life of a member. Effective April 30, 2002, life memberships are no longer offered.

(f) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue, expenses and changes in net assets during the year. Actual results could differ from those estimates.

3. *Commitments*

The Club has entered into a lease agreement for premises expiring September 30, 2003. This lease has been renewed for an additional two-year term, expiring on September 30, 2005.

Minimum annual lease rental payments under this agreement are as follows:

2004	10,050
2005	10,200
2006	2,250
	$22,250

4. *Fair Values of Financial Instruments*

The carrying values of cash and short-term investments, accounts receivable, accounts payable, due to the Empire Club Foundation and deferred revenue approximate their fair values due to the relatively short term to maturity of these instruments or because they are receivable or payable on demand.

5. *Fiscal Year End*

During the year, the Board of Directors approved a motion to change the Club's year end from April 30 to June 30.

The Empire Club Foundation

January, 2005

Ladies and gentlemen:

This 99th yearbook is a testament to the success of the Empire Club, its past presidents and board members to attract speakers of the highest calibre. This year is no exception and Ann Curran is to be commended for a very successful centenary year.

This year's volume is being provided to you by The Empire Club Foundation, which, thanks to your support, has made books like this available each year to members as well as public and educational libraries across Canada and to Canadian embassies since the Club's founding in 1903.

The speeches are also available to the public on our Web site, www.empireclubfoundation.com. These speeches have now been indexed and will allow individuals to access by speaker, title, keyword topic or date of publication. This will provide more user-friendly access and be a valuable resource for researchers.

These books and speeches would not be possible without the generosity of the many mentors and friends of The Empire Club of Canada. On behalf of the Foundation, I thank you for your generous support.

Sincerely,

David A. Edmison
Chairman

The Empire Club Foundation

Patron

Col. The Hon. Henry N. R. Jackman, OC, CD, KStJ, LL.D

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The Empire Club Foundation

CONTRIBUTORS: May 1, 2001–April 30, 2003

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- Mr. W.L.B. Heath
- Mr. Reginald Stackhouse
- Mr. Thomas Hockin

Auditors' Report

To the Members of
The Empire Club Foundation

We have audited the statement of financial position of The Empire Club Foundation as at April 30, 2003 and the statement of operations and net assets for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In common with many charitable organizations, the Foundation derives revenue from donations from supporters, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of this revenue was limited to the amounts recorded in the records of the Foundation and we were not able to determine whether any adjustments might be necessary to donation revenue, excess of revenue over expenses, assets and net assets.

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of the donations referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Foundation as at April 30, 2003 and the results of its operations and the changes in its net assets for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the Canada Corporations Act, we report that in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

KPMG LLP
Chartered Accountants

Toronto, Canada
October 9, 2003

Financial Report

THE EMPIRE CLUB FOUNDATION

Statement of Financial Position for the Year Ended April 30, 2003 with Comparative Figures for 2002

	2003	2002
Assets		
Current Assets:		
Cash	$ 18,350	$ 33,475
Short-term investments	124,251	123,143
Accounts and interest receivable	5,183	3,728
Due from The Empire Club of Canada	25,000	25,000
	$172,784	$185,346
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable and accrued liabilities	$ 80,748	$ 78,350
Net Assets	92,036	106,996
	$172,784	$185,346

Signed on behalf of the Board

Ronald Goodall
Treasurer

Edward Badovinac
Director

The accompanying notes are an integral part of these financial statements.

Financial Report

THE EMPIRE CLUB FOUNDATION
Statement of Operations and Net Assets for the Year Ended April 30, 2003 with Comparative Figures for 2002

	2003	2002
Revenue		
Donations:		
The Empire Club of Canada	$ 25,000	$ 25,000
Supporters	11,454	16,045
Interest	1,144	3,918
	$ 37,598	$ 44,963
Expenses		
Yearbook	41,575	8,533
Stationery, postage and other expenses	1,233	975
Web page index	7,750	500
Centenary book	2,000	—
	$ 52,558	10,008
Excess (Deficiency) of Revenue over Expenses	(14,960)	34,955
Net Assets, Beginning of Year	106,996	72,041
Net Assets, End of Year	$ 92,036	$ 106,996

The accompanying notes are an integral part of these financial statements.

THE EMPIRE CLUB FOUNDATION
Notes to Financial Statements for the Year Ended April 30, 2003

1. *The Foundation*

The Foundation was incorporated on January 22, 1969 under the laws of Canada as a non-profit organization. The principal function of the Foundation is the publication and distribution of yearbooks, containing the texts of addresses to The Empire Club of Canada, to the Club's members and libraries across Canada. The Foundation's activities are funded by donations.

2. *Significant Accounting Policies*

These financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates. Those estimates are reviewed periodically and as adjustments become necessary, they are reported in the years in which they become known.

(a) Revenue Recognition:

The Foundation includes donations in revenue when received, except for donations from The Empire Club of Canada, which are included in revenue when pledged.

(b) Expenses:

The estimated cost of publishing and distributing yearbooks of the current year is accrued each year.

3. *Statement of Cash Flows*

A statement of cash flows has not been presented as it would not provide any additional meaningful information.

4. *Fair Value of Financial Assets and Financial Liabilities*

The carrying values of cash, short-term investments, accounts and interest receivable, due from The Empire Club of Canada and accounts payable and accrued liabilities approximate their fair values due to the relatively short term to maturity of these items or because they are receivable or payable on demand.

CONSTITUTION

As amended April 26, 1973

Organisation of the Club

ARTICLE I

Name

1. The Name of the club shall be The Empire Club of Canada.

Purpose and Object

2. The purpose and object of the club is to promote the interests of Canada and the British Commonwealth by the consideration and discussion of subjects and events relating thereto and by any other means appropriate to the facilities of the club.

Membership

ARTICLE II

Classes of Members

1. The membership of the club shall consist of:
   (a) Honorary members
   (b) Life members
   (c) Regular members
   (d) Corporate members

   All members of classes (a), (b), (c), must be the full age of eighteen years.

Honorary Members

2. Honorary members may be elected by the unanimous vote of those present at a meeting of the board of directors. They shall be exempt from the payment of fees but shall not have the privilege of voting or holding office and their membership shall be terminated at any time by a two-thirds majority of those present at a meeting of the board of directors.

Life Members

3. Members of the club in good standing (other than corporate members) and other persons regularly proposed may be elected life members by a two-thirds

majority of those present at a meeting of the board of directors. Life members shall pay such a fee in one sum as may be fixed from time to time by the board of directors.

Regular Members

4. Save as provided in Section 5 of this Article candidates for regular membership shall be proposed by a member in good standing and shall be elected by a two-thirds majority of those present at a meeting of the board of directors.

Save as provided in Section 5 of this Article regular members shall pay respectively such annual fees as may be fixed from time to time by the board of directors.[1] Members elected after the first day of March in any year shall pay one annual fee only in respect of the period from the date of election until the thirtieth day of September in the following year. No member in arrears for fees after January 1 shall be considered in good standing.

Corporate Members

5. Any company, partnership or business organisation shall be eligible for election as a corporate member. Applicants shall be proposed by a member in good standing and the application shall contain the names and positions of the persons nominated by the applicant as its representative regular members. The applicant and its nominated representatives shall be elected by a two-thirds majority of those present at a meeting of the board of directors. A corporate member shall be entitled to nominate such number of its representative regular members as may be fixed from time to time by the board of directors and shall pay such annual fee as may be fixed from time to time by the board of directors, provided that such fee shall not be

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[1] *By resolution of the Board, November, 1981, and under Article II, 4, of the Constitution, it was agreed that the club charge a lesser membership fee for spouses living at the same residence, and that this fee should be fixed annually.*

less than the aggregate fees which would have been payable on an individual basis by such representative members for the year in question. Save as in this section provided no fee shall be payable by or in respect of the representative regular members of a corporate member.

Directors

ARTICLE III

Duties and Powers

1. The affairs of the club shall be managed by a board of directors who may exercise all such powers and do all such acts and things as may be exercised or done by the club and are not by the by-laws or by law directed or required to be done by the club at a general meeting of its members. At all meetings of the board of directors the chairman of the meeting shall have a casting vote.

Number and Quorum

2. The board of directors shall consist of forty members of whom sixteen shall constitute a quorum. The board of directors shall include at least four past presidents of the club, one of whom shall be the immediate past president and three others shall be the three past presidents immediately preceding the immediate past president if they are willing and able to act as directors.

Election of Directors

3. A nominating committee consisting of five members of the board of directors and four other regular members of the club shall be appointed annually by the board of directors at least thirty days prior to the annual meeting and shall prepare a list of nominations for directors for the ensuing year. The chairman or acting chairman of the nominating committee shall report the nominations of that committee to the annual meeting at which the board of directors shall be elected, but nothing herein shall preclude the nomination of other persons for the office of directors at the annual meeting. If nominations do not exceed the number of directors necessary, the chairman of the

meeting may instruct the Secretary-Treasurer to cast one ballot in favour of those so nominated and thereupon such persons shall be declared by the chairman to have been duly elected. No person shall be elected a director unless he is a regular member in good standing and is a Canadian citizen or a British subject.

Meetings of Directors

4. Meetings of the board of directors shall be called by the President, or on a requisition signed by three of its members. Written notice of such meetings shall be given to each director five days or more before the meeting is to take place, provided that a meeting may be held at any time if all the directors are present or if those absent have waived notice of or otherwise signified their consent to such meeting being held in their absence or have approved or signified their approval in writing to the proceedings taken at the meeting. The board may appoint a day or days in any month or months for regular meetings, at an hour or place to be named, and of such regular meetings, no notice need be given.

Casual Vacancies

5. In the event of any vacancy occurring in the office of director, the remaining directors may fill the vacancy from among the members for the unexpired portion of the term of office of the person whose office is vacant.

Officers

ARTICLE IV

1. The officers shall consist of an Honorary President, an Honorary Vice-President, a President, First, Second and Third Vice-Presidents, an Honorary Treasurer, an Honorary Secretary, a Secretary and a Treasurer. The board of directors may from time to time elect or appoint such other officers as it shall deem necessary. The President and the Vice-Presidents shall be directors of the club but other officers need not be directors. No person other than the Honorary President and the Honorary Vice

President shall be eligible for office unless he is a member in good standing. The President shall, when present, preside at all meetings of the members and of the board of directors. During the absence or inability to act of the President, the Vice-Presidents in order of seniority shall act as chairman at such meetings and otherwise perform and exercise the duties and powers of the President.

Appointment of Officers

2. The board of directors shall meet as soon as convenient after their election for the purpose of appointing the officers of the club for the period ending April 30 in the next year but each officer shall continue in office until his successor is elected.

Casual Vacancies

3. In the event of a vacancy occurring in any office the board of directors may fill the vacancy for the unexpired portion of the term.

Honorary Auditor

4. An Honorary Auditor shall be appointed at each annual meeting. An audited statement of the finances of the club for the fiscal year shall be published annually and a copy shall be sent to each member.

Committees

ARTICLE V

1. The following standing committees and the chairman of each shall be appointed by the board of directors as soon as convenient after the election of the board:
   (a) Budget and Finance Committee
   (b) Speaker's Committee
   (c) Membership Committee
   (d) Constitution Committee
   (e) Reception Committee
   (f) Publicity and Public Relations Committee
   (g) Yearbook Committee
   (h) Head Table Committee

   provided that for any year the board of directors may by resolution elect not to appoint any one or more of such committees.

2. The President or the board of directors may from time to time appoint such other committees as may be deemed expedient.

Meetings of Members

ARTICLE VI

General Meetings

1. The club shall hold general meetings weekly, if possible, from October to April, both inclusive, in each twelve months with such intermissions as may from time to time be determined by the board of directors. Special meetings of the club may be called at any time by the President.

Annual Meeting

2. The annual meeting shall be held not later than April 30 in each year. At the annual meeting a report of the year's proceedings and work shall be submitted by the President and this report shall be accompanied by an interim report from the Secretary-Treasurer.

Notice of Meetings

3. Written notice of all meetings shall be given all members of the club before the date on which the meeting is to be held. Such notice shall be sufficient if addressed to the members, and deposited post paid in the post office in Toronto. The accidental failure or omission to give notice to any member shall not invalidate the proceedings at any meeting.

Quorum at Meetings

4. Sixteen members in good standing shall constitute a quorum at any meeting of the club, general, annual or special, and the chairman of the meeting shall have a casting vote.

Limitation of Business at General Meetings

5. No business other than the hearing of the addresses shall be introduced at any meeting of the club by any person

other than the chairman of the meeting, unless it has been submitted to the board of directors and received its approval.

Fiscal Year

ARTICLE VII

The fiscal year of the club shall end on such day in each year as may be fixed by the board of directors but unless so fixed by the board shall end on April 30.

Amendments

ARTICLE VIII

Subject to the provisions of The Corporation Act this constitution may be amended by the board of directors, but unless in the meantime confirmed by a majority of the members present in person at a meeting of the members duly called for that purpose, any amendment is effective only until the next annual meeting of members unless so confirmed thereat and, in default of such confirmation thereat ceases to have effect at and from that time, and in that case no new amendment of the same or like substance has any effect until confirmed at a meeting of the members.

Amendment to By-Law A

The President stated that the Directors at their last meeting had amended the General By-Law of the Club so that the first Vice-President could be designated in the future as first Vice-President and President-Elect. This change was required to be confirmed by the members and accordingly

ON MOTION DULY MADE, SECONDED, AND UNANIMOUSLY CARRIED, it was resolved that the following amendment to Paragraph 1 of Article IV of By-Law No. A be confirmed:

Officers

The officers shall consist of an Honorary President, an Honorary Vice-President, a President, a first Vice-President and President-Elect, Second and Third Vice-Presidents, an Honorary Treasurer, an Honorary Secretary and a Secretary-Treasurer. The Board of Directors may from time to time elect or appoint such other officers as it shall deem necessary. The President, the First Vice-President and President-Elect, the Second Vice-President and the Third Vice-President shall be directors of the Club but other officers need not be directors. No person other than the Honorary President and the Honorary Vice-President shall be eligible for office unless he is a member in good standing.